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Mr. W. N. Hall, Executive Vice-President,
Dominion Tar & Chemical Company Ltd.

Mr. J. R. Donald, President,
J.T. Donald Company Limited.

Mr. H. H. Lank, President,
DuPont of Canada, Ltd.
Mr. MacPherson, Economist.


THE CHAIRMAN: Well, shall we come to order? Mr. Breen, we are very pleased to welcome you here this morning. I remember a couple of weeks ago you were kind enough to let me off easily so we will not ask you too many questions.

MR. BREEN: Thank you very much. I certainly appreciate that.

THE CHAIRMAN: We will mark your brief No. 200 and when you are ready we are.

MR. BREEN: I appreciate very much indeed the invitation extended to me to appear before you today on behalf of the Cement Industry. There has been, of course, widespread interest in the matter of cement supply over the past few years, and perhaps some facts about the situation may be pertinent.

In the first place, the shortage of cement in Canada during the past few years has been greatly exaggerated. While there has been in fact some shortage, it has never amounted to more than 10 percent of consumption, and generally much less. In other words, more than 90 percent of all demands have been met by domestic production; the balance, ranging from 5 percent to 10 percent, has been made up by imports.



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This temporary shortage of cement was, of course, caused by the tremendous upsurge in construction throughout the country, occasioned by an equally tremendous expansion of Canada's industrial capacity. There were great increases in cement requirements, not only for industrial expansion, but also in the fields of power development, defence construction, and housing.

The cement industry made great efforts to increase production to meet these increasing demands and did not fall far short of its objective. Part of the reason for failure to actually reach that objective was that delays in securing necessary machinery and equipment for new plants ran as high as from 12 to 18 months. Under the circumstances, the cement industry has done a really fine job to meet an unexpected situation.

To illustrate the sudden and, to be truthful, somewhat unexpected upsurge in cement consumption, I should like to quote just one or two figures. In the 13-year period from 1933 to 1945 inclusive, cement consumption in the whole of Canada averaged just 6 million barrels per year, and in 1945 itself just over 8 million barrels were used. In 1955, and that is just ten years later, consumption of cement was approximately 27 million barrels.

These figures illustrate rather drastically the problem which has faced the cement industry in Canada in the post-war years. The industry from 1933 to 1945 was running at somewhat less than 50 percent

capacity. I might just interject there that in 1933 and 1934 we were running at about 25 percent capacity. After the end of the war in 1945, demand started to rise and now, some ten years later, is running at just about four times the former rate. The increased consumption has been due to a number of factors:

1. Defence Construction;

2. Backlog of Private Construction (housing mainly). I might say that this takes over 24 percent of our output. Due to the fact that there were very few houses built during the war there was a lot of housing.

3. Backlog of Public Construction (Public Works, Highway, Hospitals, etc.);

4. Industrial Expansion including Power Projects;

5. New uses of Cement;

6. Population Increase.

THE CHAIRMAN: Are those in the order of use?

MR. BREEN: No, not of use.

THE CHAIRMAN: Well, "Increased consumption has been due to the following factors...", and I wondered if those were in order of use?

MR. BREEN: Not necessarily. No, they would not be in order of use but they would not be far off. I will try to go into it individually if you like later on. I might say that Industrial Expansion included power projects. As another example, the Ontario Hydro in one year, 1947, the first year of their big programme,

used more cement in that year than they had used in the previous 12 years and they continued to use cement in about that capacity ever since. They are just about coming to the end of their development outside of the St. Lawrence Seaway.

It is unnecessary, if indeed not impossible, to ascribe to each of the above groups, its relative importance, but cumulatively their effect on the construction industry and on the cement industry has been very great indeed. What is more important, is to try to estimate the future effect of these various factors.

To begin with, the first three factors listed, that is, Defence Construction; Backlog of Private Construction (housing mainly) and Backlog of Public Construction (Public Works, Highways, Hospitals, etcetera), will in future be less noticeable. While defence expenditures as a whole may or may not decline, I believe defence construction, so far as the use of cement is concerned, will decline. Again, the backlog of construction, both private and public, has been to a large extent eliminated. At any rate, it will be a progressively smaller factor from now on.

Industrial Expansion (4), which has proceeded in the past decade at a terrific rate, probably will level out on a more moderate but still upward curve. This will have a very important effect on cement consumption. It must be borne in mind that it is during the period of actual industrial expansion that cement is required in large volume. Our industrial capacity could be running full-out and yet cement sales

for industrial uses could fall rapidly. I might just enlarge on that. It is while these industries are building that cement is used for expansion -- steel plants, automobile plants or any industrial plant. It is when the building is being built that the cement is used. Theoretically, I suppose Canada could be at a peak prosperity, every plant running full out and yet cement sales could drop rather drastically because it is only when they are building new plants that it is being used in big volume.

The St. Lawrence Seaway and Power Development is an outstanding example of probable continuing expansion. However, the effect of a job, as large even as this, on the cement industry, can be somewhat exaggerated. The whole St. Lawrence Seaway project will consume only from 3 to 4 percent of the industry's output for a period of some four years.

It is possible that highway construction will be carried out on a broader scale than in the past, thus making up for any falling-off in industrial expansion.

The increase in the Uses of Cement (5) has been growing and will continue to grow. Owing to a number of factors, including the relatively slight increase in the price of cement since the war, concrete and concrete products have replaced other forms of construction. This trend should continue with improvements in technique and a wider acceptance of new concrete products.

I don't necessarily want to get a plug in

but that is one of the real reasons why there has been such an upsurge in cement use, I think. Cement has increased in price only about 60 percent since the war while most other building materials have at least doubled and some of them 300 percent and 400 percent. With cement products, similarly, the prices have stayed pretty moderate and concrete has replaced other forms of construction to a large degree indeed.

Population Increase (6) will of course play an important part in future cement consumption. The consumption of cement in any country over a long period will vary directly with the number of its people. However, the per capita consumption is not constant but is rising steadily, though slowly, due to the introduction of new uses of cement and, perhaps less important, to the fact that the more industrialized and heavily populated does a country become, the greater the consumption per capita. (As an example of this greater concentration of people will justify high type pavements of concrete where a scattered population might not.) That is only one example I just picked out at random.

On the basis of the per capita consumption of cement, I think it may be possible to predict with a fair degree of accuracy the probable average consumption of cement for the future. Unforeseen events such as war, extreme depressions, etcetera, could wreck any such prediction, but barring these a reasonable estimate can be made. The difficulty of predicting, with any degree of accuracy, the consumption in any particular year, is graphically illustrated by the attached chart -

"Cement Consumption in Canada" -- at the back of the submission there is a chart which I might have asked you to refer to earlier but it does illustrate how difficult it is, how much the consumption varies from year to year. Yet even from this chart with its terrific fluctuations, a line might be drawn to represent the trend in consumption.

The difficulty in arriving at a figure to represent even average per capita consumption is illustrated by the following per capita consumption figures for the four ten year periods from 1916 to 1955:

Average per Capita Consumption

1916 - 1925	-	.70 barrels
1926- 1935	-	.75 "
1936 - 1945	-	.5 "
1946 - 1955	-	1.4 "

As I said, these 10-year periods were selected to correspond with the two 10-year periods ahead, that is, from 1956 to 1965 and from 1966 to 1975.

In considering the past decades it might be pointed out that the period from 1936 to 1945 included the latter part of the depression and the war period, and consumption was presumably less than normal. In fact it was less than normal. The period from 1946 to 1955 includes the post-war backlog and consumption might presumably be greater than normal. These assumptions are borne out by the more uniform figures for the two decades 1916-1925 and 1926-1935 which perhaps covered more normal periods.

I might say that I was looking at that chart this morning and between 1926 and 1935, of course, I say it is a more normal period but it did include the first years of the depression. But you will notice from the chart the cement industry did not feel the effects of the depression until 1932. 1929 was a big year, 1930 was a big year and 1931. It was not until 1933 that we began to feel the full effects of the depression.

The average consumption over the forty years from 1916 to 1955 was something less than one barrel per person per year. This corresponds closely with the figure for the United States for the first half of this century, which was slightly higher at just over one barrel per person per year.

Now admittedly those figures are low for present-day conditions. Adjustment upward should be made for all the factors considered above. Making full allowance for these factors, I believe the average consumption per capita will be somewhere about $1\frac{1}{2}$ barrels per annum in the next decade. The figure will probably vary from say $1\frac{1}{4}$ to $1\frac{3}{4}$ barrels. The fluctuations may be even more pronounced but the average should still be approximately $1\frac{1}{2}$ barrels per person per year.

In view of our expected population increase from say 16 million people in 1956 to 20 million people in 1965, consumption of cement might be expected to average 27 million barrels during the next decade, with a consumption of 30 million in 1965. Similarly, based on a population of say 26 million in 1975, and I selected that as an arbitrary figure, the average consumption from

1966 to 1975 should be in the neighbourhood of 35 million barrels per year with the consumption in 1975 of 39 million barrels.

Production:

By the end of 1956, i.e. available for 1957, next year, production in Canada will be 37 million barrels. This is, of course, greatly in excess of anticipated demands. May I just interject there, Mr. Chairman? Just by chance this happened to come to my desk yesterday from one of the cement companies in the United States, the Board of Directors' report. It struck me as being so identical with my feeling on the thing I would like to read it.

"Many cement companies throughout our country have plant expansion either under way or contemplated. It is estimated that the portland cement industry has a total tonnage capacity of 306 million barrels at this time, and that this will be increased to a total annual capacity of 368 million by January 1957."

If we consider ten for one, which is about reasonable, 368 million corresponds exactly to our 37 million that we will have by 1957.

"We have come a long way since 1945 when total shipments of cement in the United States were 100 million barrels for the year and annual production capacity was less than 200 million barrels. The

"tonnage increase in cement producing capacity will be more than 80 percent for the ten year period, and we believe that the available supply of cement beginning in 1957 will exceed demand."

It was just by chance it just came in yesterday.

THE CHAIRMAN: Is ten to one a good comparison?

MR. BREEN: Just about.

THE CHAIRMAN: Do they use cement to the same extent as we do?

MR. BREEN: They use more. There has never been any year that I know of when we have quite equalled the capita consumption in the United States.

Capital Investment Required from 1956 onward:

If the estimates above of cement consumption for the next two decades are even reasonably correct, it will be seen that after the present expansion phase is completed (by the end of 1956), no additional capacity will be required for almost twenty years, since the present expanded production will take care of all normal demands until 1970 at least.

Now, Mr. Chairman, I could, of course, be wrong in my estimate. I trust I am wrong. I would like to see cement production considerably increased but I should say that I say no additional capacity is required. The Industry is in excellent shape to enlarge its plants and increase its production, much better than they were when we were caught with this unexpected upsurge. I think our plant could be enlarged quite reasonably.

Capital expenditures during 1956 will total some \$50 million. (Of this amount Canada Cement Company will spend \$22 million, bringing its total capital expenditures since 1945 to \$86 million.) In this connection some figures regarding Capital Investment required for cement production might be of interest.

Roughly, capital costs for new plant will amount to \$10 per barrel of annual production. In other words, it requires \$10 million to build a plant to produce one million barrels annually. Since a barrel of cement sells at the plant at \$2.50 or thereabouts, a \$10 million plant will produce annually \$2,500,000 worth of cement. It actually takes four years to turn the capital over once. Thus it will be seen that Capital Investment required for cement production per unit of output is exceedingly large, - indeed, it is as great or greater than for almost any other industry. In consequence, investment in new plant is not too attractive unless there is assurance of full operation of the plant for years ahead. Idle plant is simply ruinous, as the industry discovered during the depression years.

In any case, I look for a relatively small capital outlay for new plant for at least the next ten years. However, large amounts of capital will be required for maintenance and renewal - probably \$10 million to \$15 million annually, which funds will largely be provided from earnings. In the cement industry, heavy machinery is used and as the equipment runs 24 hours a day seven days a week, the wear and tear on crushers, grinding equipment, etcetera, is

terrific. In addition, there is a high rate of obsolescence. Consequently, large sums of money must be set aside each year through depreciation (and I might say or otherwise from retained earnings) to provide for the increasingly high cost of replacement of equipment. Only thus can plants be maintained in satisfactory and efficient operation.

Costs of Manufacture

I think that is one of the points on which you would like to have some information.

Production costs for cement manufacture in Canada are high and of course great concern is felt by the industry at the upward trend of these costs. The three largest items of cost are fuel, power, and labour. All three show a disturbing inclination to increase steadily. It is difficult to compare production costs in Canada with those in other countries. However, I shall make some attempt to do so.

I might say I have omitted, as you will notice, the cost of raw materials. I did so because they are common to all countries and in reality they are very cheap. The main constituents are limestone, clay and a small amount of gypsum. Those are very cheap. It does affect your costs tremendously if they are not located close to your plant. Transportation costs for instance -- just transportation costs on rock could run as high as 35 or 40 cents a barrel if they are at distant points, but most of our plants are convenient to raw materials and the cost of processing those raw materials are included in fuel,

power and labour.

1. Comparison with the United States:

Production costs in Canada are not greatly different from those in the United States. (This statement is true only as between plants of equal size and efficiency.) In Canada fuel costs are higher than in the United States; power costs, on the other hand, are slightly lower, (in the East at least), and labour costs are about the same. In regard to fuel, in most of our plants we use powdered coal and we have used Canadian fuel largely, but we are at the mercy of the United States producer because our price varies as the price of coal varies in the United States.

So far as labour cost is concerned, size of plant has a very great effect on unit labour cost. Production per man-hour can vary as much as 100 percent between small and large plants. With our relatively high labour rates both in Canada and the United States, larger and still larger plants are the natural trend. Counteracting this trend is the high cost of transportation. Cement is a relatively cheap, heavy commodity and yet carries a high freight rate. In considering the potential markets, therefore, it has been necessary to consider either small plants fairly closely spaced, or, larger plants widely dispersed. It is generally felt that the economical range for the distribution of cement is about 100 to 150 miles in heavily populated districts, and this is roughly the procedure adopted. For sparsely populated sections, of course, it would

be absolutely uneconomic to follow this rule, e.g., the northern part of the country and parts of Western Canada, and it has been found advisable to have larger and more efficient plants widely spaced to serve these territories.

Distribution costs are considerably lower in the United States than in Canada owing to the more concentrated population. As a result, though mill prices in Canada compare favourably with those in the United States, laid down costs to the consumer may be somewhat higher in some districts.

With your approval I might just enlarge on that. Our cement actually sells at the mills in Canada, I think, at a slightly lower price than it does in the United States on an average. I mentioned up above that the size of the plant has a great deal to do with the cost of labour. Our plants are on the average in Canada just as big as the plants of any company in the United States. For instance, at our plant here in Montreal, we produce 6 million barrels and we are increasing it to 7 million. That will be the third largest plant, I think, in the world, certainly on this continent. Most of our plants, not only our own company, in Canada are as big as in the United States so our labour costs from that standpoint should be just about the same and our wage rates, incidentally, are just about the same as those in the United States.

2. Comparison with European Countries:

Cement is being produced in Europe more cheaply than in Canada or the United States. This is

natural since the wage rates in the cement industry here are from four to five times comparable rates in Europe. I don't think I am exaggerating that. Even with, as we claim, equal or better efficiency, this handicap cannot be overcome. In addition, machinery, electrical equipment and indeed most items that go into cement manufacture, are cheaper in Europe. These advantages are perhaps barely offset by the ocean transportation costs, and at some future date import duties which are very low now may have to be revised upwards if our Canadian markets are not to be vulnerable to European cement. I might just say at the present time we are not worried too much about that because we have been importing cement to make up for the shortage and we have been actually paying \$1.00 a barrel more than our selling price. Now, it is conceivable that they are getting more than they should have but they would have to drop their price considerably before it would be too much of a threat to us. However, if they wanted to get rid of their cement, being able to produce it cheaper and having cheaper ocean rates they could dump it on our shores.

So far as exports are concerned, I cannot feel optimistic. As stated above, transportation costs play a big part in the laid-down cost to the consumer. With European cement actually being produced cheaper than in Canada, and with the European manufacturers favoured by cheaper ocean-shipping rates, there would seem to be no hope for any export market for the Canadian cement industry. At one time a sizeable export market

was available, but for the above reasons it has been lost for the foreseeable future at least.

Conclusion:

As pointed out above, and for reasons which were briefly outlined, cement has been in somewhat short supply for some years in Canada. It might be further pointed out that this phenomenon was not confined to Canada but was more or less general throughout the world. The United States has been in the same position for the past several years and there, as in Canada, rapid expansion is underway to make available ample supplies of this basic building material.

I might say that part of the reason for the shortage in Canada last year was that some 900,000 barrels were exported from Canada into the United States. While we imported several millions barrels into Canada from Europe, I think some 900,000 went from Canada to the United States. I might say that our company did not export a single barrel because we felt cement was needed here and we have never exported to the United States and certainly we would not when cement is needed in Canada.

So far as Canada is concerned, though there may be minor local shortages during 1956 -- due to the fact that the new production underway (some 10 million barrels) will not be fully available until the fall of the year -- definite assurance may be had that the situation will be well in hand for the future. Indeed, it is safe to predict that from 1957 on more than ample supplies will be available.

In general, it is fair to state that cement is being produced in Canada as efficiently and as economically as in any country in the world. When I say "as economically" I mean in view of the conditions, not necessarily as cheaply as in other countries in the world. This observation is by no means confined to any one company -- it applies to all; that is all the cement companies in Canada. To the extent that the economic development of the country is dependent on ample supplies of cement of high quality, reasonably priced, there need be little concern for the future.

Mr. Chairman, that is the end of the formal statement I had to make. I would be only too happy to answer any questions that might occur to the members of the Commission.

THE CHAIRMAN: Thank you very much, Mr. Breen. There are one or two questions that occurred to me as you went through your submission. On page 4 you are talking about the possibility that highway construction will be carried out on a broader scale and therefore the use of cement in that capacity would offset any falling off in industrial expansion. The use of cement in highway construction apart from bridges and culverts depends on the surface, I suppose, that is used?

MR. BREEN: Yes, the type of pavement.

THE CHAIRMAN: Is it being used to a considerable extent or are they using other surfaces?

MR. BREEN: I think I am fully prepared

to answer that. It so happens that used to be, at one time, my main activity -- trying to promote concrete roads. We had considerable success in Ontario. I think the biggest success we had was when they laid 130 miles of concrete roads. In the last few years not too many miles have been laid and we are partly responsible for that because we have not been able to go out and go after it because of the shortage of cement.

THE CHAIRMAN: Does it last longer?

MR. BREEN: Longer life and the annual cost is less than for any other type of pavement I know. In the United States, for instance, 85 percent of all the toll roads are built of concrete, and that is a fairly good example because there the owners of the road, people who put the money up for it, are interested in getting the best return they can for their money.

THE CHAIRMAN: Do they have to have those little sections?

MR. BREEN: We have had great improvement in regard to riding effect. The joints have been an objection, of course. We think we will be able to get more concrete roads laid. I think the Highways Department, for instance, in Ontario, are willing to lay more cement and will, but the amount of cement used for roads -- we welcome the business but it takes from 4,000 to 5,000 barrels per mile so if the province laid even 200 miles of concrete which is far more than any they ever had before, the 200 miles would only take about one million barrels of cement which is only

5 percent of the output for this year. If all the provinces did it -- Quebec is laying quite a bit of concrete, Manitoba lays almost 100 percent concrete, and some of the other provinces are tending towards that direction -- we think we will build up a sizeable market for concrete pavement.

THE CHAIRMAN: A couple of pages further on, talking about your forecast of the average consumption per capita, you thought it would average $1\frac{1}{2}$ barrels per annum. Did I gather from what you said about the United States that that would be about the same figure as their consumption?

MR. BREEN: I think so. As I said, the first 50 years of this century they used about one barrel per person per year and it is my opinion they then went through the same sort of industrial expansion and development as we have and they used one barrel per person per year. I have enlarged it to $1\frac{1}{2}$ barrels and I say I would like to see it increasing every day but I think that is about the average I could set.

There is one weakness in my brief which I noticed when I was reading it. I used the same figure, $1\frac{1}{2}$, for the next decade and also for the following decade. It might move up because of concrete road development and other uses of concrete which might increase the per capita consumption in which case we are only too anxious to enlarge our plants to meet the demand.

THE CHAIRMAN: Then, at the bottom of page 6 you refer to the fact that the capacity of the

Canadian industry by 1957 will be 37 million barrels which is greatly in excess of anticipated demands.

MR. BREEN: Well, I mean immediate anticipated demands because our consumption this year is only 27 million.

THE CHAIRMAN: Will not that add very considerably to your costs in the immediate future?

MR. BREEN: It does because we don't like to see idle plants. On the other hand, there are certain economies that can be effected. Your plants are more efficient when you are not pressing them. Lately we have been running them at a higher rate than efficiency would call for so that we are not too worried about the difference between 27 million and 37 million. Spread over all the companies, we would still be able to run at 80 or 90 percent of present production rate and we could run them rather more efficiently which would compensate for that to some extent.

MR. GRAUER: There is a general assumption that in a period of full employment, economy will continue. Is that the assumption which is made in this forecast?

MR. BREEN: Yes, I think that is the basis, that we will continue to run full out as we are now. When you look at this chart, if you look at past history anybody not knowing what that chart represents would say, "Well, the next is going to be a drop down here" and it could well be there will be some falling off but the trend is definitely upward

and I feel that even though there may be some falling off eventually the output of these plants is going to be taken out. We would be out automatically the interest on the money invested but we know in the long run it is going to gradually increase.

MR. GRAUER: Do you expect a stepping up of new uses or do you think the next decade will be about the same?

MR. BREEN: I can't see too much stepping up. There will be a gradual stepping up. For instance, pre-stressed concrete, if I can bore you for a moment, we are the sponsors of it, and we encourage its development and we claim that it will replace other forms of construction, for instance for long beams, it might replace steel, but there is actually less cement used and less steel used in a pre-stressed beam than in a concrete beam, so while you may have more use the actual consumption of cement may not be increased very greatly but there will be a gradual increasing use of cement for new purposes. There is no question about that.

MR. GRAUER: On page 9 where you have taken costs and compared them with the United States, you refer to fuel costs and power costs. What is fuel used for?

MR. BREEN: It is to burn the cement. The kilns are cylinders. Our large kilns are 450 feet long and 12 feet in diameter. The wet slur is put in at the end and gradually travels down the cylinder. Fuel is put in at the other end and the cement is burned at the rate of 2800 degrees fahrenheit, and as the cement comes out it draws out the material as it comes

down. We use tremendous amounts of coal. For instance, at this plant in Montreal we use 250,000 tons of coal a year, which all comes from Sydney, Nova Scotia. We use coal at Halifax, and oil at Winnipeg and gas at Exshaw, but the rest are all coal. We could use perhaps oil at this plant with some little saving but for the present we have decided to use coal because it is a Canadian product and we like to use coal, but a tremendous amount of fuels are required.

In that connection when I say power costs are perhaps lower in Canada I think that situation is not true all over. Here in Montreal and throughout Quebec and Ontario the power rates are a little lower than in the United States but down in New Brunswick we are paying more than double the amount for power that we pay here. In the west costs are higher at Winnipeg and Exshaw but actually perhaps we will get more close to the United States because the natural water power in Canada -- we are using up our resources.

MR. GRAUER: You ought to put a plant in Vancouver and get lower power.

MR. BREEN: We would be happy to if the demand was there. We ship into the eastern part of British Columbia as far as Trail, Nelson and Cranbrooke, but as far as Vancouver is concerned, the British Columbia Cement Company on Vancouver Island have been able to look after the market without difficulty. I remember when they started their capacity was 300,000 barrels a year and now their production is $2\frac{1}{2}$ million. Now, I don't think they were able to sell it all but in

1954 they sold 1,700,000 out of 2,200,000, so that at present I don't see any need for additional cement products in British Columbia.

MR. GRAUER: Do you use Canadian coal?

MR. BREEN: We use Canadian coal wherever it is possible. At Winnipeg we use Canadian coal. We did at Exshaw until we changed over to gas but in the east it is American coal at Belleville and Port Colborne but Canadian coal for Montreal and Hull. I would say that on the whole I suppose three-quarters of our coal is Canadian coal.

MR. GRAUER: If oil or gas came in now at a price, I suppose it would pay to shift, would it?

MR. BREEN: Yes, we would like to, but I can't see too much likelihood of gas being cheap enough to make us go over from coal. In Winnipeg it is just about at the break-even point. The price quoted for gas -- and we have already signed a contract for the gas -- is slightly more advantageous. Coal there is the highest of any place outside of our Havelock plant in New Brunswick. It comes from the Crow's Nest and comes there at 25 or 30 cents, which is the break-even point. We can't expect to get gas in the east here at a price that would equal \$9.00 for coal, which is about what we pay here.

MR. GRAUER: There has been some talk before the Commission of bringing oil to Montreal?

MR. BREEN: Well, at present we could have oil here because the oil comes through the pipeline to Montreal East. We could use oil at present prices

and just about break even with coal but on account of the fact we are using Canadian coal and the oil we would use would be American or foreign, we have not thought of it.

MR. GRAUER: I mean Canadian oil.

MR. BREEN: If Canadian oil came here and it would be cheaper for us than coal we would be quite ready. I think we would change over because it is an excellent fuel. However, gas is a better fuel than coal or oil because it is steadier and prolongs the life of the bricks in the kiln and so on so we would like to use gas.

MR. GRAUER: In comparing Canada with Europe, the power is higher over there, of course?

MR. BREEN: Yes.

MR. GRAUER: Coal is too, isn't it?

MR. BREEN: In England I think it would be cheaper but in some of the countries like Belgium, coal is much higher than here.

THE CHAIRMAN: Mr. Breen, you mentioned that your coal costs were highest in New Brunswick. Are they higher there than in Montreal?

MR. BREEN: Surprisingly enough, yes. Although it costs more money, we don't criticize the producers for it. It comes by water to Montreal whereas it costs about \$12.00 down at Havelock, New Brunswick, which, of course, is much closer to the source of supply but the rail freight is higher than water. We are paying a very high price. That is, I suppose, where we can't get oil in either.

THE CHAIRMAN: Has that got anything to do with it?

MR. BREEN: I would not like to say so.

MR. GUSHUE: Mr. Breen, I read somewhere recently -- and I can't say where -- of a new method employed in the United Kingdom for the use of cement in road construction that was said to be more economical. Instead of preparing your surface and mixing your concrete and putting it on the surface, it is a method of mixing the concrete with considerable soil and so on.

MR. BREEN: Yes, it is called a soil-cement road. As a matter of fact we have done considerable work on it. We built the airfield at Camp Borden and Seven Islands during the war. It was hard to get material and we built runways both at Camp Borden and Seven Islands. It is very satisfactory for light traffic roads but not satisfactory for the heavy traffic that we get on our roads. It is very cheap to build. You can build soil-cement roads anywhere from \$75.00 to \$100.00 a yard, whereas concrete for equal thickness would cost three times that much, but I don't think it is terribly satisfactory for heavy traffic. It certainly is not satisfactory for heavy traffic roads. We have not done much to promote this. In the United States there are many thousands of miles actually laid in the United States for light traffic streets in cities. Usually the soil-cement must be covered with a bituminous layer as a wearing surface. You usually put on one inch of asphalt on top of it.

MR. GUSHUE: You mentioned 900,000 barrels

exported to the United States last year. Was it water-borne?

MR. BREEN: I think so, largely.

MR. GUSHUE: Do you think there is a future in that?

MR. BREEN: No, it was because there was a shortage over there and I don't think we could expect we would be able to export to the United States because our costs are just about the same as theirs and I believe when they have sufficient plants they can sell the cement just about as cheaply as we can.

MR. GUSHUE: Your 100 to 150 mile radius is rail or road transport?

MR. BREEN: Yes.

MR. GUSHUE: Water transportation is cheaper, of course?

MR. BREEN: Yes. There are points, of course, in the United States where you can get to a point where it is not served economically by the mill but conversely they can do better by coming over here so it is a matter of transportation rather than cost. I might say that some of that cement that went out to export -- I don't know how many people actually shipped it out but our company did not ship any cement to the United States, but a small part of that might have landed in the United States. I have heard reports that Canada Cement was shipping to the United States because people have seen truckload after truckload going across the border. Well, if it did, it could be our dealers because some of them might sell it over there at a profit.

THE CHAIRMAN: Some of it might have come back too?

MR. BREEN: Yes.

MR. GUSHUE: Do you have to pay duty on it?

MR. BREEN: Duty each way.

THE CHAIRMAN: Thank you very much, Mr. Breen. We are very grateful to you.

MR. BREEN: Mr. Chairman, it is a pleasure to appear before you. I hope I was able to give you some information, but if there is any further information that we can furnish I am sure it would be a very great pleasure for us to try.

THE CHAIRMAN: Mr. Hall, we will mark your submission No. 201. All right, we are all set.

MR. HALL: We are very appreciative of the opportunity to present to your Commission some facts concerning the Building Products industry in Canada. As manufacturers and distributors of construction materials, Dominion Tar and Chemical Company Limited has a major interest in this field.

Our range of products in the field includes brick and tile, precast concrete, lightweight cellular concretes, asphalt roofings, shingles, sidings, saturated felts and sheathings, insulating and accoustical board, a pitch fibre pipe used for underfloor and underground electrical conduit work and for non-pressure pipe work. We impregnate and process timber for railway ties, telephone poles, fences, etcetera. For production of the items mentioned and for timber

treating, we operate 24 plants throughout the Dominion.

The assortment of building products on the Canadian market provides the builder or architect with a considerable variety of alternative materials. Whether the project is a family type dwelling, a commercial building, or a large industrial development, the basic structure of any such building will contain a combination, in varying amounts, of several materials - some of them old, like lumber, tile, brick and stone; some of a newer variety like precast concrete, compressed boards, panels, shingles, or sheet metal elements, usually mounted on a supporting frame of wood, steel or concrete. The choice of roofing materials is more limited, but this is due to the conditions of our Canadian climate.

I venture to say that whatever new materials enter the picture in the next 25 years, the old materials will likely be very much in use. Then, as now, builders will probably still think to a large extent in terms of lumber, brick, concrete, fibreboard and shingles, but the technological changes we have a right to expect will undoubtedly affect these various materials to an uneven degree.

I should mention there that I agree with Mr. Breen about the change which is coming on with pre-stressed steel beams. That should have been mentioned as one of the supporting frames.

It is fair to predict a gradual decline in the use of unprocessed structural lumber, such as is widely used today, but the decline will probably be offset in some measure, by a wider acceptance of improved

wood products, either of the type which is already available on the market (laminated products, plywood) or of some new type likely to emerge from the present extensive researches carried on by the timber industry.

There might be people who dispute my statement.

In this respect, as in so many others, we will continue to follow the trend towards more highly manufactured products, and the forces prompting the trend in this particular instance are not far to seek. On the one hand, as the more refined uses of wood continue to grow, their competition cannot fail to price raw lumber out of many of its present building markets; on the other hand, competition from other building material will increasingly force the timber industry to upgrade its products and to remove at least the more patent shortcomings of timber, its flammability and liability to organic decay. Along this line of development, the future role of the timber processing industry may well be considerably enhanced. I might say in our own company we operate a number of divisions some of whom are interested in promoting timber and others in competing products. There is not a complete agreement on this statement but there is a consensus of opinion that that is the way it goes, that timber is going to have to be processed further, made fireproof and rotproof and probably structurally altered.

We would also expect a continued shift to lightweight materials, probably lightweight blocks, asbestos cement sidings, aluminum sidings and facings,

and plastics. A growing use of these materials will be in line with the present trend toward lighter construction materials, lighter and cheaper supporting frames and, even more important, toward ease and speed of handling and erection, and reduced use of labour on the building site. Development along these lines is also likely to introduce or extend the use of products of the chemical industry in the building field. The new widespread use of polyethylene film as a vapour barrier, the various applications of silicone products are perhaps a forerunner of a more general trend toward the use of chemical materials in many phases of construction.

When forecasting the future of brick, various considerations arise. At this very moment, this time-honoured material is going through a period of tremendous popular demand. Its structural properties, its durability, its appeal to the eye, all combine to lend it a sort of timeless quality. Yet, there is a serious drawback to brick. Although its manufacturing is now a highly mechanized process, the laying of brick has remained by and large a manual operation. Insofar as the cost of labour looms even larger in the future than it does today, brick lays itself open to competition from materials which are more amenable to mechanical handling on the site.

The brick manufacturers in this country and in the U.S. have realized the seriousness of this obstacle, and the industry as a whole is engaged in a concerted research programme which promises to effect

many improvements in brick itself and in the application and handling of the finished material. American industry - and we have joined in as a continental industry in this case - are doing a large research job as an industry, supported financially by an assessment of so much per thousand brick everywhere through the industry to try to overcome some of these points of handicap.

THE CHAIRMAN: Including the heavy cost of laying?

MR. HALL: Yes, there have been several approaches to that. Probably the most feasible one is to make bricks that are somewhat larger so that you do not have as many individual units to handle. There is quite a lot of work going on which has not yet been successful, to find ways and means of making the brick lighter by some kind of foamy process so that you get the same ceramic cellular material and brick which is much larger in size and there have been attempts to line up bricks on the job so the man does not have so many lines to run and look around to see when one brick is aligned with the next one. All those things are being worked out.

THE CHAIRMAN: Are there systems of handling brick and moving it to the spot where it is used?

MR. HALL: Yes. That again, is not so widely used as we would like but this large Montreal General Hospital up here was done with brick from our company supplied from La Prairie, about 20 miles from here. We loaded the brick on pallets as it came out of the kilns, transported it on the pallets to the job,

and it was lifted out and the bricklayer left them on the pallets until they were laid and the industry is putting up a packaged brick where you have a hundred of them in a steel strapping arrangement to avoid the cost of handling individual bricks.

THE CHAIRMAN: May I ask you another question on this subject? Is there a shortage of bricklayers now?

MR. HALL: There is a shortage of bricklayers but it is not as serious as is generally conceived. And here particularly, an excellent job is being done of training bricklayers under the provincial apprenticeship scheme. It is working out very well.

THE CHAIRMAN: You mean here particularly in Quebec?

MR. HALL: Yes. That is a very valuable scheme.

THE CHAIRMAN: We heard something about that. I gather it is much more effective than the similar schemes in other provinces?

MR. HALL: We find it so, yes.

With this development in sight, and with improvements in the manufacturing process which are already showing themselves, we expect brick generally to retain the place in the market it holds today. This is particularly so since cost is only one of the factors influencing a builder's choice, and the other factors against which cost is weighed, - taste, permanence, social prestige - are likely to come out heavily on the side of brick.

While our views on brick may appear to be on the conservative side, and while we are and hope to remain one of the largest producers of brick in Canada, we do not minimize potential competition from new products. We ourselves are producers of a new material, trade-named "Siporex", and which we believe is one of the most promising building materials of the future and a likely formidable competitor for brick. This product is a lightweight, cellular concrete, combining the lightness of wood with insulating qualities of a fibre board, and the strength and resistance of a concrete material. It can be manufactured into blocks or reinforced structural panels, and is as fireproof as masonry. Its strength to weight ratio makes it suitable for the light construction which we envisage for the future. Through its versatility, and the ease and speed of erection, it is destined in our opinion to make an important contribution to year-round construction.

I have probably gone a bit overboard on that but this material is not a new one. It is new to this continent, it is used in Sweden and that is one of the reasons I have just made the statements I have made about lumber because in Sweden which has a similar forest set-up to what we have, over 60 percent of their buildings are now being constructed of this material or two or three competitive materials similar to it. These are made from sand and cement rather than anything to do with timber.

MR. GUSHUE: Does your cost compare?

MR. HALL: The cost is quite appreciably

less than the cost of brick actually because the erection cost is less because it comes in large slabs.

The task of introducing a new type of building material is not of the easiest in our country where building codes and official regulations vary so widely from area to area and often from one municipality to another. It is not only that the building codes in some areas are based on conservative premises, the technical validity of which has long been outdated by the development of new materials -- it is above all the multiplicity of codes, of by-laws and regulations, which makes it necessary to overcome the same resistances over and over again and which can be in many circumstances an effective barrier to progress. We feel that a great service could be rendered to the future of the Canadian building industry, and to the Canadian economy at large, by a standardization of building practices and the acceptance of more uniform standards for building materials. An admirable basis for such standardization exists in the form of the National Building Code. We can only express the wish that more municipal authorities see fit to adhere to this code and that provincial authorities lend it, if necessary, legislative validity.

Trying to look forward to the year 1980, we would envisage Canada's population to have reached about 28 million and, assuming the standard of living to have remained on an upward curve, we would expect the demand for building products to be greatly in excess of double the present amount. However, we do feel there will be new products coming along which will compete with

existing products for certain applications and, in general, we think it is reasonable to expect the requirement of the present conventional products to about double. With respect to brick, the doubling would require four to five hundred million units per annum, and at present costs, the new investment would be of the order of \$40 million to \$50 million. The total capital for the brick industry will, of course, be higher than this, as there is a continuous modernization going on.

Relatively higher capital requirements will be necessary for those products which are destined to more dynamic growth. Our cellular concrete programme, for example, provides for an outlay of \$10 million in the next five years. To maintain an undiminished interest in the expanding field of building products in which we are now engaged, Dominion Tar & Chemical Company would be called upon to invest about \$75 million in production and distribution facilities over the next 25 years. It is apparent that to induce investment of the size contemplated, the industry must be in a position to look forward to an extended period of uninterrupted growth with a minimum of fluctuations. This, we feel, is contingent upon many factors, not the least of which is an assurance that the Government will continue to pursue its present credit policies with regard to housing. These policies have had all-round beneficial effects on the economy, and the additional merit of starting us on the road to a nation of home-owners.

Employment is likely to increase much less

proportionately than the envisaged expansion of production. With the present rate of progress in mechanization, it seems realistic to expect an addition of only 50 percent or less to the present labour force. But the character of labour may undergo some changes. Unskilled labour will be less in demand, and higher standards of technical skill will be required for an increasing proportion of jobs. Since skilled employees cannot be found at short notice, nor can they be carried over extended periods of low production, strong additional means must be found to reduce the seasonal and other "peaks and valleys" in production.

The above forecasts, naturally, are dependent on many factors. The development of our markets is dependent primarily on whether we reach our population goals. This is a question of such vast national importance that it is hardly fitting to discuss it in the context of a single industry. We should, however, emphasize that we are in complete agreement with the many representatives of industry and other fields of endeavour, who have already urged upon the government the necessity for continued large-scale immigration. But what will affect us no less than numbers is where the new population will settle, in what occupations it will engage and, more generally, to what extent we shall maintain our constant advance toward higher standards of living.

Finally, the industry cannot be considered merely in its domestic setting. It is true that, owing to their bulk and weight in relation to value, building

materials are less suitable for export than most other products of our secondary industries. But this is not necessarily true of imports. It is a geographical fact, which sometimes works to our disadvantage, that our most populated areas, indeed our principal urban centres, are in the immediate proximity of the U.S. border. More important is the fact that American costs of production are generally lower than ours, because American producers enjoy advantages which are, and will be for a time, denied to us.

One of these disadvantages is the tremendous volume of their home market. Volume does not necessarily express itself in a larger size plant (there is an economic limit to the size of a production unit); it may take the form of higher specialization. To illustrate the point, there is potentially as great a variety of tastes and quality requirements in a market of 15 million as there is in a market of ten times that size; but only in the larger market will the minority requirements be large enough to warrant economical production in specialized plants. Where an American plant manufactures a single type of brick, we have to produce five, six or more different colours, grades and finishes.

We find in the United States a large number of places where there will be one plant which produces a particular kind of roofing on a continuous basis, the same colours throughout or a brick from a continuous kiln where there is always a red brick or a buff brick or something of that nature.

While we have advantages with respect to

certain raw materials, we are at a definite disadvantage in respect of others, for example, we lack, at least in Quebec and Ontario, the fine alluvial clays and shales which abound in Ohio and Pennsylvania.

We can hardly expect our present tariffs to offset the influence of all these unfavourable factors. I can point to many examples where the present tariff is hopelessly inadequate even merely to neutralize the effect of our extended transportation lines and consequent distribution charges -- charges which are inevitably high where large areas must be covered to reach a reasonable number of customers. But some balance they do provide, and we consider the maintenance of this balance, precarious as it is, a vital condition for the existence and growth of this Canadian industry.

I can give you a specific example of that at the moment. We have a tariff of 22 percent on roofing materials which we think is adequate. We would not ask for more. But we have plants in the industry -- not our company, but in the industry in Toronto and in Winnipeg and in both those areas the prices are well below what American exports would land for. The Canadian customer is getting the advantage, but in Fort William the freight is such that in spite of our 22 percent duty the Americans are underselling us and we are being completely priced out of the lakehead market.

Recognizing the necessity of stimulating home construction at the minimum cost, our Government has gradually removed the sales tax from building products. It remains, however, on a fair number of

products and we would urge serious consideration of its complete removal by the Government.

We are vividly aware that the true and long-term interests of our industry are indissolubly connected with an expansion of our internal markets, the growth of our cities, the development of our resources and the further and wider opening of the North with all its immense potentialities for our national growth. Here the interests of our industry merge entirely with the national interests in the broadest sense. In common with so many Canadians who have been heard here we feel that the key to the future lies in a continuous and massive expansion of our population. A daring and vigorous immigration policy could be the government's most notable contribution to making our hopes for a great national future a reality.

To summarize, while we in the building products industry generally, and in my company specifically, will in future years be making every effort to increase our production facilities to meet the growing demand for traditional and generally accepted building products, we will not be losing sight of the necessity of introducing and developing new products, as well as adapting the uses of old products, to conform to modern trends (as we see them) in the art and techniques of construction. We believe the good work done by the building products industry in supplying the great demands for the last few years, while still continuing to improve its products and

processes, is sufficient evidence that the objectives for the future will be realized as long as conditions are even moderately satisfactory. Undoubtedly, however, the industry can make its greatest contribution to the national welfare if the climate in which it works is as favourable as possible, and the provision of such a climate would be helped by

(1) A vigorous policy of encouraging immigration on the part of the Federal Government;

(2) Continuation of and, in difficult times, a further enlarging of Government assistance in financing home building;

(3) A continuation of at least the present levels of import duties on building materials;

(4) Removal of sales taxes on building products;

(5) A simplification and standardization of building codes established on a sound technical basis.

It has been a privilege to be allowed to appear before you gentlemen and if there is any further information which I can provide, I am at your service.

THE CHAIRMAN: Thank you very much. At the top of page 4, Mr. Hall, you suggested that there are factors other than cost which influence the choice of brick and you refer to taste and permanence and social prestige. Do you mean you are socially more acceptable if you live in a brick house?

MR. HALL: Yes, actually we really re-wrote that a couple of times because we didn't like

the implication but it is there. People just feel that there is a social prestige attached to that as compared to a concrete block house.

THE CHAIRMAN: Well, if the concrete block house has bars on the windows I can understand. I thought before Mr. Grauer does this, what the young people nowadays like is a ranch house with B.C. fir on the outside?

MR. HALL: Mr. Grauer may be slightly prejudiced on this subject.

THE CHAIRMAN: You think they still like brick?

MR. HALL: Yes.

THE CHAIRMAN: On the next page you refer to the desirability of standards of building practices and the acceptance of more uniform standards for building materials and you refer to the National Building Code. Have you any suggestions as to how the municipality might be encouraged or persuaded to adopt more up-to-date by-laws in these matters?

MR. HALL: The only way that I can see is by the provincial legislatures, since this is a provincial matter, taking over the matter of building codes, taking it away from the municipalities and making it a provincial matter because the municipalities, except the largest of them, have no facilities for actually checking whether something is technically sound or not and it tends to be a political decision rather than a technical decision.

THE CHAIRMAN: I suppose the Central

Mortgage authorities have some interest in this matter, have they?

MR. HALL: Yes, they have and it has been pretty stringent. That does provide a uniform code in one sense.

THE CHAIRMAN: Is their interest or influence restricted to persuasion only?

MR. HALL: It is if people are able to look for other forms of financing. If people are going to have a Central Mortgage and Housing loan that code governs, but if they are willing to take any other form of financing that code has no influence.

THE CHAIRMAN: They could say "If you want to borrow from us you have got to"?

MR. HALL: Not only can but do. They are very rigid about it.

THE CHAIRMAN: That seems to me to be going a little past the point of just persuasion. On page 8 you make the statement that in common with so many Canadians who have been here before you feel the key to the future lies in a continuous and massive expansion of our population and you suggest that a daring and vigorous immigration policy is desirable. I would just like to point out that there are a good many respected citizens of Canada and also in Montreal, incidentally, who have not advocated just that particular policy. I would not like you to think that it was unanimous.

MR. HALL: No, I appreciate that.

THE CHAIRMAN: Mr. Hall, what are the

prospects of any reduction or increase in the costs of house building over the next 10 or 15 years?

MR. HALL: I think that over a period there are some possibilities for reduction.

THE CHAIRMAN: You do?

MR. HALL: Yes. There is a very strong trend towards doing more work in factories and less on the job site. The word "prefabrication" has come into bad repute but there is a lot of that going on. If you look at the houses under construction in the moderate price class, you will find, for example, that there is not very much sheeting going on of the 6 inch ship lap. They are larger panels. The same goes for interior work. You use larger units throughout. There is a tendency to use lighter material so that the manpower required is not so great and generally the whole tendency is to cut that down.

At the risk of appearing to give a plug for this light weight product "Siporex" which came from Sweden, we built quite a lot of houses this summer -- we didn't build them but we sold the material to somebody who did build them -- they were in the low-priced range but the cost of the material for the walls, partitions and roofing and floor, which were all done out of this was \$2,800, but the important factor was that the cost of erection of the whole thing for labour was only about \$350, whereas with any other material you would have had a cost of three or four times that price for erection. It was a matter of taking the labour away from the job site and doing it in a factory.

THE CHAIRMAN: In starting to answer that question you said "in the more moderate priced class". Did you mean the intermediate range or the cheaper house?

MR. HALL: That particular one was a cheaper house. That sold here for around \$10,000. Of course, the more expensive the house the less chance there is of that because people are looking for matters of individual taste.

MR. GUSHUE: You mentioned the movement across the border to centres of population of American building materials. Is there any compensating movement of Canadian building materials to points in the United States?

MR. HALL: A few products of the forest industry.

MR. GUSHUE: Not to the same degree?

MR. HALL: Not to the same degree, no.

MR. GRAUER: The peaks and valleys that you refer to on page 6, is that a considerable factor in the construction industry?

MR. HALL: Yes, it is a considerable factor but it is coming to be less of a factor. There is every effort being made to smooth these things out. We tend to do more winter construction now than we used to. One of the things which has to do with that and something which was mentioned by Mr. Breen, is the growth of pre-cast material. While it may be difficult to pour concrete in the winter it is not too difficult to pour concrete and take a pre-cast to the job so you do carry on more

winter construction than formerly.

MR. GRAUER: There is a chance of getting it down to a normal level, is there?

MR. HALL: I would say yes. Certainly the progress that has been made in the last ten years I think would indicate that we can look forward to, I would not say 100 percent, but it has an infinite effect.

MR. GRAUER: Why would there be seasonal peaks and valleys in the production side?

MR. HALL: Largely because we have not yet taken all these surges out and you can't put enough inventory in to keep a production unit running steadily. In the roofing industry all the manufacturers have tremendous inventories which they build up from January to about April and there is a peak in the summer which lasts until about September and then it tapers off. It is not enough so that you actually smooth the thing out. In that particular industry it is on the average a one-shift operation in the winter time and a two-shift operation in the summer time.

MR. GRAUER: Cost of storing too high?

MR. HALL: The cost of warehousing is too high although it is interesting to note that in the last few years the tendency has been to more warehousing rather than to more production facilities, again tending to smooth it out because of the difficulty of getting labour in the peak summer periods.

MR. GRAUER: There would be economies on that side, wouldn't there, in labour?

MR. HALL: Yes, there are.

MR. GRAUER: Have you made any forecasts about housing requirements?

MR. HALL: We have made some but I have no great degree of confidence in them. I don't think I have confidence in them that I feel anybody should use them.

MR. GRAUER: But are you generally optimistic about the rate of new house building?

MR. HALL: Yes, in general we are.

MR. GRAUER: You look forward to a pretty steady situation?

MR. HALL: Yes, we do.

THE CHAIRMAN: Well, thank you very much, Mr. Hall. It has been a helpful submission and we are grateful to you.

Well, shall we come to order, gentlemen?

It is very pleasant to welcome you here, Mr. Donald. First of all, because of your very extensive knowledge of your industry but also too for this chance to thank you for the help which your firm are being to the Commission in the studies which are being made of the chemical industry.

Now, your statement we will label Exhibit No. 202 and if you are ready we may as well get started.

MR. J. R. DONALD: Mr. Gordon and members of the Royal Commission on Canada's Economic Prospects, I am very glad indeed and appreciate the honour to discuss in a very general way some aspects of the

Canadian chemical industry. My remarks are based on the fact that I have been fortunate enough to have become interested in the chemical industry 40 years ago and to have seen the chemical industry blossom out into one of the major industries not only in Canada but of the world.

My viewpoint is that of a born Canadian with a Canadian education and in talking to you today the views I express are, of course, my own.

It would have been relatively simple some 30 years ago, or even 20 years ago, to discuss Canadian Chemical Industry but, today, the growth and ramifications of the industry are such that any discussion necessarily embraces a large segment of the economy. Actually, what has been happening is the increased application of scientific knowledge to industry. As chemistry is essentially the science of the composition of matter, one of the main industrial results of our expanding scientific knowledge and technical skill is the development of chemical industries and the application of chemistry over a wide range of industry. The result has been, not only a large development of the older chemical industries, but invasion of many other sections of industry. One cannot think of chemical industry today without also thinking of synthetic fibres, plastics, synthetic rubber, new detergents, new insecticides, etecetera, all of which are either made by chemical industry or closely associated with it.

I propose in our discussion to deal principally with the primary or heavy chemical industry

and secondary chemical industry. These two groups together make up the chemical industry proper, or basic chemical industry, as opposed to the allied chemical products industry. The primary chemical industry comprises that portion of the industry supplying heavy chemicals for industry in general and is characterized by large-scale production. It is a large user of natural resources and is intimately associated with and complementary to the natural resources industries. It includes acids, alkalies, salts, fertilizers, explosives, coal tar products, petrochemicals, synthetic rubber and the electrochemicals such as carbide, phosphorus and chlorates. Directly or indirectly it is largely dependent upon export markets. The secondary industry includes detergents, synthetic fibre raw materials, plastic resins, solvents etcetera. It is largely dependent upon the domestic market. It is relatively small in volume, compared with the primary chemical industry, and depends upon the primary industry for raw materials and intermediates.

I am excluding from my remarks any consideration of the allied industries, such as paints and varnishes, ceramics, pharmaceuticals, toilet preparations, etcetera, which are frequently included in the broad general classification of "Chemical Industry".

Historically, Canadian chemical industry began to assume importance during the first world war. The expansion since has been rapid. In the inter-war years, which included the difficult depression period, its output more than doubled. During the second

world war a large expansion took place which was readily absorbed into the economy. In the preparedness programme, following the outbreak of war in Korea, further large capacities were installed. Expansion has since continued at a substantial rate, and currently, new plants are being planned and built both in eastern and western Canada. Post-war annual capital expenditures reached a peak of some \$140 million in 1952 and have continued since at a high rate - namely - \$122 million in 1953, \$42 million in 1954, and an estimated \$55 million in 1955. Value of annual production increased from \$70 million in 1939 to \$400 million by 1952, and by 1954 was around \$500 million. It is probable that the figure for 1955 will approach \$600 million. Due to the statistical basis of defining chemical industry, these figures are undoubtedly low. This is well illustrated by the fact that, if the statistics for industry allied to the chemical industry, and including detergents, pharmaceuticals, paints and varnishes, adhesives, etcetera, are included, the value of production is almost doubled and the gross figure is about \$800 million for 1952, \$880 million for 1953 and \$921 million for 1954.

This rapid expansion has included all phases of the industry, but is particularly evident in the primary chemical industry, with large new capacities in synthetic ammonia, chlorine, alkalies, acids, fertilizers, explosives and entirely new petrochemical production including synthetic rubber. The expansion of chemical industry is not, however, in any

way peculiar to Canada alone. A broader and greater expansion, pro rata, has taken place in the United States and, today, the United States chemical industry is the largest and most vigorous in the world and exerts a profound influence on the Canadian industry. Moreover, the chemical industries of other industrial countries, notably Great Britain, Germany, France and Japan are re-established and also expanding at a rapid rate.

The importance of the Canadian chemical industry cannot be measured in terms of investment and production alone. No modern industrial economy can exist without a well-integrated and vigorous chemical industry. Most of industry is dependent upon chemicals to a greater or lesser extent. Without acids, alkalies, chlorine and ammonia, there could be no production of chemical fertilizers, explosives, detergents, plastics, glass, synthetic fibres, or high grade pulps. In defence, chemical industry is fundamental to any military supply programme. At the consumer level, synthetic fibres, insecticides, plastics, protective coatings, petroleum additives and many other chemicals are serving to increase the standard of living.

The value of chemical industry in the economy is further enhanced by its extensive use of Canadian natural resources: Salt, sulphur, limestone, dolomites, electric power, coal, petroleum and natural gas are some of the raw materials for a large segment of the industry. Much of the large sulphur requirement is supplied from smelter gases, which would otherwise be a

source of waste and pollution, and from iron pyrites, largely a by-product of the base metal industry. The petrochemical industry makes use of light petroleum fractions incidental to crude oil and natural gas production or oil refining operations. It upgrades these products, which would otherwise be disposed of as relatively low-cost fuel. Butanes are a raw material for synthetic rubber. Ethylene is the starting point for plastics, detergents, anti-freeze and other new chemicals. The extensive use of hydroelectric energy in the electrochemical industry is well known. Utilization of wastes and the upgrading of raw materials are characteristic of chemical industry.

The intimate association of chemical industry with the exploitation of our natural resources is well illustrated by recent developments across Canada. Large-scale synthetic ammonia and petrochemical plants have been established in Alberta based on natural gas and petroleum production there. Further expansion is assured. The uranium mining industry has created new demands for acids and alkalies. Increased production of chlorine and alkalies is required to meet the expanding demands of the pulp and paper industry and the aluminum industry. An expansion of mining is leading to the growth of the explosives industry, with increased demands for primary chemicals.

Of the total production of the primary chemical industry it is estimated that some 25 percent, chiefly fertilizers, is exported to world markets and a further 45 percent goes to pulp and paper, mining,

agriculture, the metallurgical industries and others, whose end-products are largely exported. Thus only about 30 percent is finally consumed in the domestic market. To a very large extent, the primary chemical industry is, then, either an exporting industry or complementary to basic exporting industries and therefore, very dependent upon export markets. It is the export markets which directly or indirectly make possible our large primary chemical production.

The primary chemical industry has grown without the aid of significant tariff protection and for the following reasons; Firstly, that part of the industry exporting chemicals, particularly fertilizers, finds its markets outside of Canada. Secondly, primary industries are largely exempt from payment of duty on their raw materials, either due to duty-free imports under special tariff items, as in the case of agriculture, mining, plastics and others, or through duty drawbacks permitted exporting industries, such as pulp and paper and metallurgical industries. Thirdly, many heavy chemicals have relatively high transportation costs as against costs of manufacture and tariffs have little influence on their movement and pricing.

The secondary chemical industry is mainly based on the requirements of the domestic market and is thus largely limited in volume of production.

Chlorinated solvents, synthetic fibre raw materials, resins for the plastics industry, plastics such as polyethylene and styrene, synthetic detergents, insecticides, weed killers and a wide range of chemicals

used by industry and also as components of consumer goods -- all constitute the important secondary chemical industry. Some of its products are comparatively recent developments which have become an essential part of the industrial economy. Its raw materials are mainly heavy chemicals and intermediates produced by chemical industry, such as chlorine, coal tar products, petrochemicals, acids and alkalies, organic solvents, and it is intimately associated with the heavy chemical industry. Relative to the heavy chemical industry its products usually have a higher unit value and the capital investment per unit of production is higher. The processes involved are frequently covered by patents and require a high degree of technical skill. It is also much more subject to competition from imports, due to the relatively high unit value and the large competitive production particularly in the United States. To warrant production in the relatively small Canadian market some measure of tariff protection is frequently required.

It has already been pointed out that important factors affecting Canadian chemical industry are the competition provided by the U.S. chemical industry and the large markets in the United States, which permit bigger producing units.

It is roughly estimated that, because of duties on imported equipment and climatic conditions necessitating heavier construction, comparable sized plants in Canada cost about 25 percent more than in the United States. It can also be generally assumed that the capital cost of a large plant, per unit of

output, will be lower than that of a small plant.

Where Canadian plants are established to make products for export or to supply exporting industries, I believe consideration should be given to the rebate of customs duties on equipment. The situation would be ameliorated by such a move. But wherever Canadian capital costs are, or remain higher, they must be offset either by lower raw material costs or lower labour costs, if prices are to be competitive.

In cases where lower costs cannot be provided by Canadian resources, price must be slightly raised if the industry is to develop. One way of accomplishing this is through tariff protection.

As has been already indicated, the primary chemical industry has developed to date without substantial tariff support, because industries consuming its products receive duty exemptions and drawbacks of duties. In the case of the exporting industries, ordinary duties and also dumping duties are subject to drawback. The drawback of dumping duty creates a particularly difficult situation, as it permits exporting countries to dump surpluses in Canada while still maintaining domestic prices. With the very large capacity of the U.S. industry, as compared to the Canadian, and the general strength of the larger U.S. companies, this constitutes a serious threat to our chemical industry. It should at least have fair access to its own domestic markets especially since U.S. Customs tariffs on most chemicals, except fertilizers, are sufficiently high to deny access to U.S.

markets.

The policy of exemptions from ordinary import duties accorded industries, notably mining and agriculture and the exporting industries, also, I believe, needs reconsideration. It seems unreasonable to encourage the development of natural resources, which might otherwise remain unexploited or wasted. If the exporting industries are to make the maximum contribution to the Canadian economy, they should be prepared to support other Canadian Natural resources industries. Modest tariff protection should not work any particular hardship and, in the long run, should assure supply of a wide range of products at reasonable prices from Canadian plants.

The Canadian chemical industry could grow in another way, a way which would probably be even more to Canada's advantage in the long run. This would be the extension of sales of our chemical products in the United States.

With increasing demands for our natural resources and primary products, the market position is changing and, with it, our historical trading position. By and large American tariffs favour the import of raw materials. I believe we should put the proposition to the United States that, if they wish to import raw materials from us, they should, in all fairness, reduce the tariffs on the products which can be manufactured from them. With the increased demands upon our natural resources and primary products forecast by the United States, we should be in a favourable trading position.

Such an arrangement should not work any great hardship on United States industry in view of their anticipated expansion of markets. At the same time it should enable us to further process and upgrade our raw materials and expand our secondary industries, with obvious benefits to the economy. Some such action is becoming more important as the increasing production of by-products from the natural resources industries begins to exceed the capacity of the domestic market to absorb them. The greater the ability of our new petrochemical industries to utilize the by-products of the petroleum industry, the greater the return to the economy. Obviously also it is to our advantage to utilize natural gas in Canada and export petrochemicals rather than to export the natural gas.

The importance of research and development work to the chemical industry is well recognized. In general, universities and government research organizations and laboratories are exempt from duty on technical apparatus. On the other hand, industrial research organizations and laboratories are faced with duties up to some 20 percent. In view of the recognized necessity for research and development and government sponsorship of it, this policy seems short-sighted and a hindrance to industrial research. Because of the relatively small Canadian demand, manufacture of most scientific equipment is impractical in Canada.

The rate of growth of chemical industry may also be affected by the availability of technical manpower. Currently there is a shortage of such manpower

due to the rapid expansion in Canada and also due to the movement of Canadian engineers, chemists and physicists into U.S. industry. All indications are that this shortage will continue and, in its own interest, Canadian chemical industry must seriously consider how the available personnel can be most efficiently utilized.

In summary, chemical industry is characterized by high capital costs, a relatively small but highly skilled labour force and a high rate of obsolescence. Research and development are the driving force of the industry. Further growth and development will stem from industrial expansion, particularly natural resource utilization; by the chemical industry's development of new processes and new products; and by intrusion into other fields of industry. Growth will also be stimulated by the general accumulation of capital by the economy.

There seems little doubt that the expanding industrial economy of the world, and more particularly, the requirements of the United States, will lead to continued exploitation of Canadian natural resources. Forecasts of U.S. requirements as, for example, given in the Paley Report, indicate a doubling or trebling of many raw material requirements by 1975. It is not unreasonable to anticipate an equivalent growth in our natural resources industries and, in view of our potentially great reserves, an even more rapid development may take place. At the same time a substantial increase can also be expected in the domestic market,

with an expansion of the secondary chemical industry due to increased demand and also to the new processes and products which can be confidently expected.

I believe that a doubling of chemical industry's capital investment and output can be confidently anticipated by 1975. If certain policies, such as those I have outlined, favourable to the Canadian Chemical Industry, can be implemented, an even larger growth can take place.

THE CHAIRMAN: Thank you very much, Mr. Donald. I notice on page 5 you refer to the competition which Canadian chemical companies are up against from United States manufacturers and you suggest that some measure of protection is desirable because of that fact. One Canadian chemical manufacturer suggested the same thing to us in Toronto not so long ago and it turned out the competition he was afraid of came from his company's parent concern in the United States. We had a certain amount of fun over it because we wondered whether he was expressing his own views or his parent concern's views.

I wonder if you would care to tell us something about the structure of the Canadian industry. Are most of the larger companies here controlled directly or indirectly by United Kingdom or United States concerns?

MR. DONALD: Yes, I think it is probably fair to say that probably 80 to 85 percent of major Canadian chemical industry is controlled by British and United States interests who have brought them here.

It has been more or less a logical development. Markets were built up by imports and as the markets became or become sufficiently large enough to support Canadian production the know-how and the capital has usually come from outside sources.

It is probably inevitable that the know-how, in particular, should largely come to us in that way. I think the point that strikes the Canadian more particularly is that there could only be a limited participation by Canadians in Canadian chemical industries; in other words, a certain number of these companies have Canadian subsidiary companies which operate independently with Canadian shareholders. A good many of them have no Canadian participation in the sense of participation through interest in the Canadian company, although, of course, the interest in the Canadian company can be obtained by an interest in the American company. I think probably it would be to the advantage of the industry and to Canada if there were more Canadian participation but you will appreciate it is largely a financial matter and certainly the fact that we are dependent on either know-how or patented processes that come from outside the country is a limiting factor.

THE CHAIRMAN: How would you expect the Canadian industry to develop from a regional standpoint? Will it be concentrated in the central provinces or will there be development elsewhere as time goes on?

MR. DONALD: Well, I think the economy at present is in a very interesting stage in that regard. If you start off with British Columbia, you have the

British Columbia chemical industry which has been largely associated with the pulp and paper industry. Now, we have oil pipelines and probably gas pipelines coming into British Columbia and it is going to make available a larger range of raw materials. The British Columbia market in itself, the secondary chemical market, is probably not large enough to support a large scale chemical industry but I think there should be chances of developing export trade based on the availability of these new materials.

In Alberta there is undoubtedly going to be substantially further development of many chemical industries. There has been a very large development there since 1950. The availability of these petroleum resources and its by-products are bound to lead to a substantial further expansion. I can't see how we can anticipate very much chemical expansion in Saskatchewan and Manitoba because I can't see that they have the resources to support it apart from the fact that if these primary industries such as pulp and paper and mining are developed there they will in turn create a demand for certain chemicals which will no doubt be manufactured there.

I don't think there is any doubt that the expansion in the chemical industry will be largely concentrated in the major centres of population here in Ontario and Quebec.

The outlook for the Maritimes, I think, is an interesting one in that they have had practically no chemical industry. They have, on the other hand,

natural resources such as salt, limestone and they have coal which may lead to the development of a primary chemical industry there to supply the other primary industries. The development of these new base metal deposits in New Brunswick will probably bring with it some further development. So I feel in general, that there is every reason to anticipate a very substantial increase across the country but I do feel in terms of production value the main development will be in the primary industries allied with the natural resources industries.

MR. STEWART: These natural resources industries referred to as primary industries provide the raw materials for the secondary industries?

MR. DONALD: Very mainly, yes.

MR. STEWART: I suppose the fact that the primary industries are developing on the scale that they export -- they have to, in fact, to get their costs down so that the maintenance of the export markets for our basic materials are of very considerable importance to secondary industry?

MR. DONALD: Yes. The secondary chemical industry is very dependent on the primary industry and as you suggest the larger the volume the more the market.

MR. STEWART: On page 7 would you care to express an opinion on inducing this action by the United States?

MR. DONALD: Well, I have taken that stand and a certain number of people tell me I am entirely too visionary and it is perfectly hopeless to expect the

United States to give us any consideration. Both Mr. Gordon and myself had a good deal of experience with the United States government during the war period and I cannot help but believe that if we approached this problem properly the United States government will give us consideration, one reason being that if we have a market for the by-products of our primary industries, the cost of our products is going to be lower rather than higher and it seems to me if this matter is discussed and gone into with the United States I do believe -- I don't suppose it can be done immediately -- but I do believe if that point of view is put forward I would expect that over a period of time something might be done.

MR. GUSHUE: Mr. Donald, I was looking at the figures on page 2 of the growth of the industry. Are some or many of the firms interested in both the primary and secondary stages of the industry in Canada?

MR. DONALD: Yes. The two are very largely tied together although not in all cases, but the secondary chemical industry has been a direct outgrowth of the primary industry in other countries and it follows here.

MR. GUSHUE: Some firms are engaged in both phases?

MR. DONALD: I would say in the secondary chemical industry I suppose 75 or 80 percent is tied up to primary industry or carried out by the same concern.

MR. GUSHUE: I was rather struck by the figures on growth, from 70 million in 1939 to an

anticipated 600 million in 1955.

MR. DONALD: Well, the answer, of course, is that during the war we carried out a very large expansion which was absorbed into the post-war economy, one of the striking things about the chemical industry being that if a plant that is reasonably well conceived is established there is practically no instance of its failing afterwards and these plants which were established during the war period have been absorbed into the economy with very little trouble and the same thing has happened again in the period of expansion in the Korean crisis. I think without that forced draft expansion which took place these figures would be somewhat lower and it would have taken much longer.

MR. GUSHUE: The point I would like to put to you is that a growth of this sort from 70 million in 1939 to 600 million in 1955 would probably not be looked upon as a good basis for tariff protection, would it?

MR. DONALD: Well, actually the chemical tariff is probably and is in a great many instances, quite satisfactory, I think. It is not the chemical tariff; it is the exemptions and drawbacks which need consideration.

MR. GUSHUE: You are rather inclined to the point you made on page 7 on the question just asked by Dr. Stewart of an attempt to get into the American market with this rapidly growing industry rather than increased tariffs and hold to the Canadian market?

MR. DONALD: Well, the Canadian market is

relatively so small. After all there are 15 million people from Newfoundland to the Pacific and your trade lines are north and south. For example, petrochemicals in Alberta would find a much more logical market in the northwestern United States than they would in Eastern Canada, transportation is such a factor.

MR. GUSHUE: If you could achieve this treatment of the United States tariff would you still adhere to the reasons for tariff protection in the Canadian market or would you think the waiving of them would be a good consideration -- have lower tariffs into the United States?

MR. DONALD: I suppose what you were putting to me was could we compete with the American production?

MR. GUSHUE: I was coming to that.

MR. DONALD: I think the answer is that given sufficient volume we could compete. Let us say the production of petrochemicals in Alberta -- there might be slightly higher costs due to climatic conditions but say they had large scale volume I think the difference in cost would be relatively slight and the transportation factors in the adjacent market in the United States as against taxes are probably favourable.

MR. GUSHUE: It struck me from hearing you that the secondary stage of the industry is going to be in a position to receive an abundance of supply from the primary stage. Is it your opinion that the proper trend would be rather to look towards the export market than the Canadian market?

MR. DONALD: I think that would be the soundest growth that way because after all we can build up this export market faster than we can build up our population.

MR. GRAUER: You mentioned the possibility or probability -- I don't know which -- of exports for the chemical industry at Tidewater in British Columbia. Have you any particular markets in mind?

MR. DONALD: Well, for example, with relatively low cost natural gas in British Columbia there is no reason why ammoniated fertilizer cannot be made there for export. I think one thing that has given us some concern is at present that there has been so much expansion in the world in some of these things.

MR. GRAUER: As you point out, United Kingdom and some of the European countries have developed tremendously. Has Asia much of a prospect for chemical industry? There are a lot of people there but they are what we may call under-developed countries.

MR. DONALD: There has always been a very substantial export of fertilizer from Canada to some of those countries. There is no reason why, with the present world-wide approach to this thing, why fertilizer plants could not be built in these countries, but in the meantime, assuming there is some way that could be found for paying for them, there is an almost unlimited market for such things as fertilizers.

MR. GRAUER: The currency question is the trouble in the export market for chemicals?

MR. DONALD: Apparently yes.

MR. GRAUER: I wanted to ask you how you have the demand and supply situation sized up for sulphur in the future as far as Canada is concerned?

MR. DONALD: Well, I am **not** sure of the figures for the production of sulphur which will arise -- we covered sulphur from these new gas pipelines. Some time ago I looked into that rather thoroughly and it became apparent that with the Trans-Canada Pipeline, for example, in operation, and the West Coast in operation, the quantity of recovered sulphur would probably begin to approach the total Canadian demand or exceed it but the original market, of course, probably rather than to ship it to, say, Eastern Canadian users, would be the export markets and inasmuch as this sulphur is going to be a by-product, I don't believe that the finding of a market for it is going to be too difficult; in other words, I think it will be able to compete effectively with the natural sulphur domes from Texas.

MR. GRAUER: When you mentioned export markets were you thinking of the United States?

MR. DONALD: The northwestern United States is the logical market for part of that export and then there is a general world-wide market for sulphur which is growing rapidly and inasmuch as these sulphur domes are a competitive asset, I don't believe the sulphur industry as a whole is likely to start a price war on sulphur. I think it is likely to be transportation costs.

MR. GRAUER: You mentioned by-products that came from the base metal industry in British

Columbia. There are large deposits of iron pyrites which have not been processed. Is that true in Canada?

MR. DONALD: Yes. I was actually thinking more of the smelting operations such as those conducted at Trail.

MR. GRAUER: That is what I intended to convey. There are these large amounts of by-products, iron pyrites, which would give a large amount of sulphur potential and there is a certain movement there for the expansion of the steel industry and that seems to be the most logical source of the equivalent of iron ore. I believe the question of using sulphur is one of the factors holding a decision up so far?

MR. DONALD: Well, just at the moment we seem to have reached the stage where our richness in natural resources is going to start producing some embarrassment. It is perhaps going to take a long time for these various factors to fall into place but where pyrites is mined and produced as a by-product from copper or zinc operations it represents a very low cost sulphur and I think we can use it particularly if it can be used on the spot.

MR. GRAUER: Thanks very much.

THE CHAIRMAN: Well, thank you very much, Mr. Donald. We are very grateful to you. We will continue to come to you for help from time to time if we may.

MR. DONALD: Thank you.

THE CHAIRMAN: Well, Mr. Lank, we will mark your submission Exhibit 203 and I think perhaps when you

come to the more dangerous parts of your performance you could give people a chance to get out of the room if they want to.

MR. H. H. LANK: Well, gentlemen, I don't want you to be frightened with all these samples. We are not yet in the explosives business and I don't want you to be frightened of this pile of paper because I am not planning to read this brief, copies of which I believe have been in your hands for several days. However, there are plenty of extra copies. We will be quite happy to supply them to anyone who wishes to have a copy.

I don't propose either to read to you the press releases which we prepared, which in a sense are our idea of the salient features and points of my presentation. Those likewise are available for anyone who wishes them.

First of all, Mr. Chairman, I should like to express the appreciation of my company for the opportunity which you have accorded me to appear before you as their representative today. To give you a capsule idea of the company, we have roughly 3,200 employees and we have roughly 5,700 shareholders.

Some interest was expressed in the capital formation of the industry. In my particular case the DuPont Company of Canada is owned roughly 83 percent by the DuPont Company in the States; the other 17 percent representing 5,700 shareholders and those shares of preferred stocks are held in Canada. I might mention also that due to the system of compensation which we

have each year there is a slight increase in the number of shares made available to Canadians in that some of our compensation is common stock to our employees.

With your concurrence I shall not read the brief, although that does not mean that I am at all ashamed of it because a lot of my time has gone into it. However, if you wish to follow me there are two or three salient things which I would like to draw to your attention and that is on page 2 where I stress the manpower situation in the year 1975 at which time our feeling is that the labour force will be roughly 8,100,000 instead of 5,600,000 in this year. I touch on this point because my own feeling is that the one million which has been provided by immigration over that period of 20 years I feel to be a rather optimistic picture particularly in view of the fact that within the last few days the United States has liberalized its policy on immigration and Canada, of course, will be, when that policy is implemented, in direct competition for the outstanding immigrants.

Now, as I go along I would prefer not to pay too much attention to this brief except to hit a few high points and then come back to it at a later period. On page 6, the relation of imports to domestic consumption, you will note there that if you take the year 1935 and the year 1955 there is not any appreciable change. Now, for the moment I would like to leave that and mention a few points which I think are worthy of mention. The expansion foreseen by the chemical industry will make for a marked increase in employment

opportunities for the scientist, for the engineer, for the skilled operator. Even after allowing for the advance in productivity -- this gentlemen, is not in my brief -- but even allowing for the advance in productivity it is estimated that the working force of the industry would probably double during the next two decades. When it is realized that the nation's manpower force is not likely to increase by much more than 50 percent during the same period, and when the needs of all the industries are taken into account, it is apparent that this country may very well face periods of acute manpower shortages in the years ahead. The manpower needs in industry will be complicated, in my opinion, by the demand from services. With increasing productivity of industry and the growth in suburban living we are rapidly approaching the U.S. situation where more workers are employed in supplying services than in producing commodities.

You have no doubt already heard much about multilateral trade. First of all, I feel it is high time that we relaxed and admitted that multilateral trading has slipped. I think that about all we can say about it is that it is still reflected. Bi-lateralism is in the driver's seat if I can read figures correctly. In 1939 41.6 percent of our total exports went to the United States and by 1954 this had risen to 60 percent. As to imports in 1939, 66 percent of our imports came from the United States and by 1952 this had risen to 72 percent. Still we stick to a tariff policy which is based on multilateral trade philosophy. This trend,

gentlemen, obviously can't keep up at the 1939-1954 rate of growth; otherwise 20 years from now the figures will be 100 percent and 81.8 percent respectively and these are obviously ridiculous. So I put as a question, just how long are we going to continue to call this officially multilateral trade? At what point do we admit officially that bi-lateralism has won out? My personal philosophy on this subject was summed up in a speech that I made three months ago to the National Trade Council in New York when I said:

"I think it will soon be recognized in Canada that she has tried hard but has failed to convince the other countries of the world that they should follow her lead and example in lowering tariff barriers and minimizing trade restrictions of all kinds. When that moment comes in revamping its trade policy I think Canada will look to the United States much more realistically than she has been in the past and take her as a model and copy her diligently. I think she (meaning Canada) will take a good look at your (meaning United States) tariff structure, whatever it may be, high, low or medium and say again realistically 'It has been a good policy for United States and it should be a good policy for us.' With that decision I predict that Canada will embark on her greatest period of capital expansion

"and immigration and that this change in policy will cause the proper name of bilateralism to be applied to Canada-U.S. trade. I further predict that as a result of the changes which are likely to take place that you (meaning United States) will buy from us at no hardship to yourself, as much as you sell to us and in so doing you will strengthen your good neighbour to the north and feel even more secure in the knowledge of our strength."

I haven't mentioned this in my brief but I think there was a lesson to learn from the commodity, natural rubber. For brevity I will mention only one consuming country, the United States. The principle applies to all industrial countries. The total U.S. consumption in natural and synthetic rubber changed only moderately in 1954 versus 1941 -- the increase was about 20 percent, but from less than 1 percent of the total U.S. consumption in 1941 synthetic rubber represented over 50 percent in 1954. Natural rubber is a product of tropical climates which neither the United States nor Canada possesses. This trend has caused an enormous upheaval in certain tropical rubber producing countries, and it brought about economic assistance from outside the tropical countries involved. Canada has participated in this assistance. This upheaval was brought about by research which led to the successful synthesis of a natural product. We should not dismiss lightly the possibility of the same thing

happening in the next 20 years to other tropical natural products, foodstuffs as well as industrial raw materials, which we currently import very heavily because we have no tropical areas. These changes would also cause upheavals and perhaps call for further economic assistance from countries outside of the tropics. If, and when that time comes will Canada merely switch importing such natural products from tropical countries to importing their synthetic counterpart from highly industrialized countries with which we already have a highly unfavourable balance of trade? If so, will Canada be expected to soften the effect of the economic upheaval in these tropical countries? My feeling is that it would be more logical for us to do so if these synthetics of the future were made right in Canada. Furthermore, we should not overlook the possibilities of other countries synthetizing some of our natural products which today are exported in heavy quantities. To me, this all adds up to the necessity for a greater degree of self-sufficiency than we have at present or are likely to obtain under the present set of rules governing international trade.

In the past few months four of the DuPont Company's valued customers in Canada have moved to the United States due to their inability to penetrate the U.S. markets in Canada. Customer A makes fish nets and twine. The U.S. tariff on fish nets is 35 percent plus 25 cents per pound specific and on the latter it is 60 percent ad valorem. The Canadian tariff in both instances is zero. So our Canadian friend will have

no difficulty shipping into the Canadian market from their new U.S. factory.

Customer B made brushes. The U.S. tariff is 50 percent ad valorem; the Canadian tariff is 25 percent. He moved.

Customer C makes corset stiffeners. I think this is a particularly interesting case because it is a Canadian invention. A young Canadian invented this corset stiffener and was financed and got into production in Canada through the Industrial Bank because he found it necessary to resort to that institution in order to get the capital which that Bank was designed to supply. Now this particular product, a Canadian invention, within the last four months, the company has moved to the United States. The reason for that is that the U.S. tariff is 35 percent ad valorem plus 25 cents per pound specific. The Canadian tariff is 25 percent.

Customer D made braided rope. The U.S. tariff is 60 percent ad valorem, the Canadian tariff is $22\frac{1}{2}$ percent.

Now, I have cited four cases which have legitimately come to me in the routine course of business since I have learned that I was to appear before this Commission. I have not gone back into the files to fish up any cases.

Last August when we learned that Canada was about to open negotiations with the United States concerning tariffs, we studied the prevailing Canadian and U.S. tariffs applicable to the full categories of products which we manufacture in Canada. Now this is

what we found. Product No. 1 -- now these products cover 100 percent of what we manufactured. I haven't chosen any isolated cases.

Product No. 1 - U.S. 25 percent ad valorem plus $3\frac{1}{2}$ cents per pound, Canadian tariff 3;

Product No. 2 - $22\frac{1}{2}$ versus 20;

Product No. 3 - 45 versus 20;

Product No. 4 - $12\frac{1}{2}$ versus 15;

Product No. 5 - 25 percent versus 3;

Product No. 6 - 10 percent versus 5;

Product No. 7 - $22\frac{1}{2}$ percent versus 3;

Product No. 8 - 25 percent versus 10;

Product No. 9 - 25 versus $22\frac{1}{2}$;

Product No. 10 - 25 versus $12\frac{1}{2}$; and

Product No. 11- 15 versus 5.

I have given those products because they cover everything we manufacture.

We have been told, of course, not to be disturbed that the United States might conceivably come down in their tariffs. If such an unlikely thing does take place here under the provision of the U.S. Trade Agreements Extension Act of 1955, I wonder how long it would take the U.S. tariffs to reach the Canadian level assuming no change in the Canadian level and assuming that U.S. shipping continues of these products that I have cited that we manufacture.

Product No. 1 it would take the United States six to eight years to get down to the Canadian tariff; No. 2, two years; No. 3 15 years; No. 4 is zero and I will come back to that; No. 5 six to eight 13 years;

52 years; 21 years; 17 years; 2 years; 3 years and 20 years to reach the Canadian tariff on these identical products. Now this list contains one zero, No. 4, and this is Exhibit A. This is a product called Freeon, which is a refrigerant and propellant, and as Mr. Donald was saying a few moments ago how difficult it is to get around some of these exceptions. I didn't realize that I was going to be in the room when he said that but here is a notable example of one of these exceptions.

The product which we manufacture, Freeon is listed on the Canadian list which I have given you at zero. This product, which is an air freshener, has exactly the same chemical in it as this product which is a bug bomb, as they call it. On this one we have 15 percent protection, on this one we have zero and the product is identical.

Now I would like to refer you to page 9, gentlemen. I didn't include in the 12 cases which I have cited you above, a product which is called poly-mathene foam. Would you look at the bottom of page 9, please, Technical Opportunities, and read the last sentence there.

"Three decades ago text books in organic chemistry described 100,000 known organic chemicals. The number now is in the millions and the possibilities essentially are infinite."

Three decades ago -- I chose this quite by accident but it so happens that the chemical tariff was revised at the time of the Ottawa agreements in

1932, which is about 23 years ago, so there has been virtually no change in the basic structure of the chemical tariffs of Canada in 23 years, which is not too far away from three decades, in the textbooks which were talking about 100,000 chemicals and now I am talking to you about millions, and on the next page where I say it is safe to predict that chemistry as it is known today is still in its infancy. These things are multiplying like flies as organic chemicals and yet the tariff structure is still the archaic structure which it was at the time when there were only 100,000 organic chemicals in the text books.

To show you what a new chemical is and how much faster chemistry is developing than the tariff philosophy, I have brought along a product here which is called Polyemathene foam, and I brought it along because it is a very new chemical, it has remarkable possibilities in Canada; I think it is going to go like wildfire, and I doubt very seriously if it will ever be manufactured in Canada for the simple reason that there is no chance of getting started, there is no protection whatsoever. I am just going to take these two chemicals and mix them together -- I am not a chemist and I hope it will work -- this, I think offers remarkable possibilities for the development of the northland because by mixing these two very small quantities you can get a foam material which has remarkable insulating properties; it is essentially similar to synthetic rubber and I forecast for it a future quite similar to the synthetic rubber success

in the past and I feel that as an insulating material for walls and so forth in the northland that it would prove to be, if it were manufactured in Canada, a remarkable product.

Now this is the type of chemical, of course, that isn't even in the text books yet so I can't say that even the professors know as much about it as I do. (I hope this won't make everybody realize it is getting near lunch time and I am whipping up a cake). I am told to treat this like batter. With that I shall leave the demonstration and hope it works. That should rise in foam form.

Incidentally, although this product has come into being only since the war, automatically the United States has a tariff on it so that anyone who is interested in getting into the manufacture of this realizes that he is privileged to develop his own market without any sniping from the outside. Whereas in Canada with no tariff protection on the thing whatsoever, because I suppose it is a new product, there is great hesitancy on the part of everyone to stick his neck out -- that is really what it amounts to. This is the type of thing which could very possibly lead to another synthetic rubber which would replace the synthetic rubbers which we know today and it is a most curious thing when you find a commodity like this there is no protection at all, and even natural rubber has a 5 percent tariff.

Now, I am not going to belabour this thing any more, I am only waiting for this to rise

and I see that is what it is doing -- I would like to leave with the Commission, however, one additional chart which I didn't have at the time that my preparation was made and that is the factors in the post-war economic expansion of Canada and the United States, in which I show that the growth of manufacturing industry in Canada has been much less since 1946 than the growth of manufacturing industry in the United States and that Canada's great industrial growth of course has come from its mineral resources.

Now I think perhaps time might best be served, gentlemen, if I submit myself to cross-examination.

I think you do see the obvious possibilities in a thing of this type. Incidentally, this is one of the most remarkable adherents that has ever been known to chemistry. Glass is a very difficult thing to make anything adhere to, - this happens to be a synthetic glass which is made in Canada - but it will be very difficult for me to separate those because this chemical was never designed as a chemical; it was designed as a foam. There are billions and trillions of little air pockets in there, of course, which will make that extremely effective for igloos and what not and at the same time it does have structural possibilities. The material is being currently used in the new models of automobiles in the United States as crash panels because it is very resistant and it is being used for that purpose as a safety feature. But there again, I quite frankly see no possibility of this being made in Canada because they have got a head start on us in

the United States and another tragedy is that this is not a United States invention at all; the techniques originally came out of Europe. But they are so set up that they can grab these things quickly and they are off to the races. They go right in from a running start like pulling up to a green light and they don't have to stop at all; they keep right on going, whereas the poor suckers who get caught with the red light, such as we are, have to start from a standing stop.

May I devote the rest of my time, gentlemen, to answering your questions.

THE CHAIRMAN: Thank you very much. Will you start off, Dr. Stewart?

DR. STEWART: At page 17, your paragraph headed International Specialization questions whether there is any particular value to be derived from this. I certainly don't want to get into any textbook argument on this issue but I wonder if there is any great advantage to international specialization would the same thing hold true as between regions of the same country?

MR. LANK: Well, first of all, Doctor, I am not so sure how Canada would make out on this international specialization picture. I lived in the Argentine for eleven years and I happen to know that is the cheapest wheat producer in the world and if we were to be logical about this and let the countries of the world specialize in what they can do best and cheapest, I query very much whether we would come out on

the long end of the stick when there is a question of specializing. As far as the regional thing is concerned that is not a very fair answer to your question -- but so far as the regional thing is concerned I think that distances are the greatest factors there. In the chemical industry we would like very much to develop on a national scale. We would like to give the same to one province as another. However, since one of our greatest raw materials is air we find it difficult to justify, for instance, that the air in Alberta is any better than the air in British Columbia. So we are inclined to follow population concentration, not because we like it particularly but because we are forced by competition to do it. We feel that if we don't follow population concentration our competitors will.

MR. STEWART: When you say distance is the factor as far as regional specialization is concerned, shouldn't the same thing apply in the international field and when you say distance, you mean distance as between say sources of material and centres of population, markets and resources?

MR. LANK: Well, I can cite something outside of our particular bailiwick and that is explosives. You get certain chemicals, of course, which must be located strategically. From the point of your freight rates, I think explosives is a very good one. The cost of transporting and the so-called dangers are only so-called. Transporting explosives make it incumbent upon the manufacturer to get as

near his customer as possible. Now, you don't get concentration of population for a thing like that but you do get concentration of markets. In the case of another chemical, polyethylene, which is one of the promising chemicals which this country can't get into the United States, it was not a United States invention, but that is where all the development has taken place because of their duty set up, but in the case of polyethylene, you have a peculiar situation there. There are very satisfactory raw materials in Alberta and your big markets are outside of that, of course. And there you get into the penalty of freight rates and one reason, of course, that they have to charge higher freight rates on polyethylene from Edmonton to Montreal is because we carry so much wheat at a loss. Somebody has got to pay for it. So these things ought to be looked at, I think, right across the board.

DR. STEWART: There would be no great advantage to the people living in the prairie region to try to produce the things that they need in the prairie region?

MR. LANK. I think it would be very illogical.

MR. STEWART: Would it not be the same say as between Canada and other countries for the same reasons?

MR. LANK: I am a bit of a realist. I perhaps am stupid but I can see fantastic opportunities if we depart from the thesis which you are about to

defend, for this reason. The exports of the DuPont Company -- the exports of the DuPont Company in the United States -- now forgetting about Canada but the United States -- the exports of the DuPont Company in the United States are almost twice as large as our total sales -- just their exports. Why? Because with the tariff structure that they have there, they are assured of their domestic market and anything that they export is incremental in nature and therefore cheap in cost and they can compete anywhere in the world. My own theory is that if we haven't got the local market, the Canadian market assured to us, we start right out behind the eight ball. And there are certain commodities which the DuPont Company in the States is exporting to other countries in the world, which we could just as logically export from Canada if we can get started, but we can't get started unless we have some assurance of the Canadian market. Let me cite you a case in point; Nylon is a good case because we did get started and the main reason we got started was because it was badly needed in the war effort for parachutes and so forth and heaven and earth was moved in order to get us the materials and the machinery and so forth to get in the business.

We started out very modestly with a plant that was initially going to manufacture 400,000 pounds which was just enough to make the parachutes that were necessary and that is all there was to it. But we got started. And then as we developed the internal market here, having gotten started, we jumped from the spinning

operation which was the simplest thing in the world, the simplest part of the process at least, we moved it back to importing the salt and then once we developed the market even further, moving it back one step, then we wound up with a completely integrated industry such as we have today with an investment of something like \$50 million and the only product that we import today for the manufacture of nylon is cyclohexine which is a derivative of petroleum.

Now, we would like very much to buy that cyclohexine from some Canadian oil company but those fellows aren't stupid, they said: "No, we are not interested in supplying it", for the simple reason that they have only got one customer and there is no duty, so if they place themselves in our hands we are in the driver's seat. In a case like that we would be quite happy to see our potential supplier get a tariff on the product that we are trying to buy so that he would have the assurance that we would do everything possible to buy from him. And I don't think for a moment that the application of a tariff to a raw material which we would like to buy in Canada means that the price is going to go up. Not in the slightest. It merely assures him that he has a market which will permit him to justify the initiation of the operation and then it will start to grow with the building blocks, just like ours started to go with nylon.

MR. STEWART: I appreciate there is a great danger in generalizing on these things but Mr. Donald took the view that in the primary chemical

industry we needed the export market to develop our primary chemicals and to get the volume which would get the cost down as the raw materials for the secondary. Do you agree with that?

MR. LANK: I don't think there is any conflict between primary and secondary industry. The chemical industry would be tickled to death to settle today for the duties that apply to butter and newsprint and aluminum ingot.

MR. STEWART: Are you trying to suggest --

MR. LANK: No, no, but everybody feels that the chemical industry is terribly protected and yet there is 10 percent duty on a pound of butter and a 22 percent duty on newsprint. We would settle for that any time.

MR. STEWART: But I gather as far as the secondary chemical industry is concerned that you think it would be better to own that domestic market exclusively than to try to work towards getting larger markets outside?

MR. LANK: No, I can't say that I do because the Canadian market, when you put in a plant for \$10 or \$15 million, you don't look at the market today; you look at what the market is likely to be 10 or 15 years hence and then you build an economic unit that is much larger than Canada needs but until such time as Canada needs it, it can operate at a profit even though it is too big for the country, if in that intervening period you engage in export. And that is exactly what we try to do. We overbuild

with the feeling that -- or with the hope at least, -- that we will be able to sell abroad the excess production until such time as it is needed in Canada and as a rule by the time it is needed in Canada it has become a dog's breakfast outside of the country and we are not interested.

MR. STEWART: In your remarks -- I don't think it is in the submission -- but in your remarks you seem to imply that the best tariff policy for us to follow was to simply put on exactly the same tariffs as the United States has?

MR. LANK: That is the only realistic thing to do. I think it is the only thing that they understand.

MR. STEWART: Is it an intelligent thing to do?

MR. LANK: Perhaps not; it is my idea.

MR. GUSHUE: On page 15 of your brief you give some rather interesting figures on productivity.

MR. LANK: Pardon me, since that is a part of page 14, might I point out one grave omission. I think that the most significant thing in this brief, gentlemen, is that chart on page 14; it is headed "Some of Job Opportunities". I would prefer to have that read perhaps "Some of the 290 additional Job Opportunities created by every 100 persons employed in manufacturing" and the most significant part of that is, in the last line you will find that every 100 persons employed in a new manufacturing activity in Canada provides employment for 60 farmers.

MR. GUSHUE: I was rather struck with your figures and I think you made the suggestion that the policy ought to be to encourage the movement of resources out of low productivity industries into the high ones.

MR. LANK: Is that not inevitable, sir, is not such encouragement inevitable? My own feeling is that the marginal industries are bound to become the targets for industry requiring more hands, more people to supply. I figure there is going to be a shortage of labour. To me it is inevitable that a marginal industry will not be able to pay the wage rates that successful industry will be able to pay and the inevitability comes in drawing the personnel away from the low productivity marginal industries into the high productivity and better paying industry.

MR. GUSHUE: I notice the reference to agriculture. That would mean moving out of agriculture. I think actually you suggest that that is inevitable?

MR. LANK: Sir, the trend does show that there has been such a movement. I merely feel that that movement will be accentuated.

MR. GUSHUE: We would then become an agriculture importing country?

MR. LANK: Yes.

MR. GUSHUE: Without a tariff?

MR. LANK: Wait a minute now. Well, if you haven't got anything, you haven't got anything to protect.

MR. GUSHUE: Within the last two days

here in Montreal, we had another large industry which carries necessarily a high labour content in its manufacture, the textile industry, and they were asking for certain special treatment simply because of that. You would argue against that likely. I suppose I shouldn't have mentioned the industry, I am sorry, I just should have ---

MR. LANK: No, we are very interested in the textile industry. I was in Japan last year and had a chance to look more closely at some of these Japanese industries of which the leading one, of course, is textiles, and I think we have just got to make up our mind that we have got to protect that industry and tariffs will have to be built around that. But we should recognize that if we decide to protect the textile industry as a nation or if we decide to sacrifice it, that we are just not talking about the textile industry. We are talking about the chemical industry as well, because I know I am in the chemical industry and the greatest outlet, the biggest customers we have are in the textile business. And of course, we suffer the same effect that they do.

MR. GUSHUE: It is a low productivity industry.

MR. LANK: Sir, I disagree with that.

MR. GUSHUE: I think it would be in terms of your table.

MR. LANK: Yes, but that is improving so rapidly in the key companies. I think that the progress that has been made in the conversion of synthetic fibres

and natural fibres to cloth and so forth, the progress that has been made in Canada in the last five years is just phenomenal. There are companies in this country in the textile industry today that don't have to take their hat off productivity-wise to any country in the world. There is a very definite progress there.

MR. GUSHUE: You will probably have a higher labour content in your clothing manufacturing and so on.

MR. LANK: For the foreseeable future, but there are some developments in the textile industry that are very interesting. They are getting into fabrics which they call unwoven fabrics today, which have no weaving at all. They are just matted fabrics, and when they get into that, of course, the productivity will jump up to something like it is in the newsprint industry because that is a matted fibre too. There are some very exciting things today in textiles.

MR. GUSHUE: I was listening this morning to the possibility of brick-laying machines. Do you think it will be possible to have a machine that will lay a suit of clothes? Now, just one more question, on page 19 you say -- perhaps I had better read it:

"The post-war policy of sacrificing manufacturing industry to further the export of primary products cannot be regarded as a sound objective."

MR. LANK: Clarification is due on that, sir. In the chemical industry I use the word "sacrificing" to cover not so much the existing products

but the curtailment of opportunity such as this. To me, it is a sacrifice that there is no duty on that and is a curtailment of the possibilities so therefore it is abortive really.

MR. GUSHUE: You weren't suggesting there that the manufacturing industries have not prospered since the post-war period. I have been rather impressed with a number of figures that have come before us including the figures of the chemical industry as to growth.

MR. LANK: Our growth is simply not to be compared with the growth in the United States in the chemical industry.

MR. GUSHUE: It does not compare with other Canadian industry?

MR. LANK: It is compared with other Canadian industries.

MR. GUSHUE: Even primary industries?

MR. LANK: That I am not conversant with. I couldn't say. But I do know that the progress of the chemical industry in Canada so far has not been comparable with the development of the chemical industry in the United States nor has it been comparable to the development of the chemical industry in Germany and England in the last five years.

MR. GUSHUE: Is that due to population?

MR. LANK: No, I don't think it is due to population so much because you can get 50 million people who can't afford to buy anything and get 15 million people who have got a lot of money in their pockets.

I think it is primarily due to the fact that there is not the encouragement here, there is not the incentive to get started because they are just sitting ducks. They haven't got the access to foreign markets if they do start and they have no assurance of the local market.

MR. GUSHUE: I gather that you are not a free trader from your remarks?

MR. LANK: You have surmised correctly, sir.

THE CHAIRMAN: Mr. Lank, earlier this morning, Mr. Hall of the Dominion Tar & Chemical Company was talking to us about the difficulties of getting new building materials accepted and he talked about bricks and said that there was a certain social prestige attached to a brick house. I was wondering how the Eskimos you were talking about will go for this stuff. Will that ----

MR. LANK: I don't think they will, sir. I was thinking primarily of strategic material, and I don't have much faith in the Eskimos' ability to see the advantages of this.

THE CHAIRMAN: There is one question I wanted to ask, on page 13 about the middle of the page you have a sentence, "Surely Canada's unique opportunity lies in the development of all of Canada's efficient industries". Now, we had some discussion of that yesterday as to how you go about defining efficient industry. Have you any views on it?

MR. LANK: I honestly don't think that you can define efficient industry until you are able

to compare it with a similar industry in some other country.

THE CHAIRMAN: Well, it was suggested to us yesterday that if you can import the product at a lower price than you can make it in this country then the industry that was making the product in this country was inefficient.

MR. LANK: I don't accept that at all, for the simple reason, first of all let me say this; I honestly don't know of a single chemical manufactured in this country that can't be manufactured more cheaply, that is at lower cost, some place else in the world, and I would say that goes for a lot of things outside the chemical industry. Therefore, we are here, not because we are the cheapest producer in the world but for some other reason. Now, if you say that we should not manufacture those things that can be bought more cheaply elsewhere, then I say that we are going to buy practically everything else there but if a commodity costs a dollar here and it costs 95 cents to import, to me that is still no reason for buying it outside this country, because in that dollar might be ten cents of profit, five cents of which is going to go out of the industry's pocket to the government. Therefore the net gain for the economy is certainly in paying five cents more for the commodity than they would have to pay for importing it. Do I make my point there?

THE CHAIRMAN: I don't know whether it would convince everybody but I certainly understand

the point now.

MR. LANK: Well, I believe in it to the point where our purchasing policy in my company is that. We are willing to pay a premium in order to get stuff that is made in this country. I was talking a short time ago to a very eminent man in the field of communications in this country and I said, "What is your policy? Are you willing to pay more for materials and so forth made in Canada than you are for imports?". And he said, "Yes, because everything that I buy means that there is going to be work for somebody who can subscribe to the service that I have to sell". That is our theory, if we can get more stuff bought here, there are going to be more people who are going to have nylons with runs in them.

THE CHAIRMAN: I want to ask you one more question about your own company. You have outlined how it is set up. It seems to include many of the things or all the things that have been suggested to us from time to time as being desirable; there is a substantial Canadian financial participation in the company; there are Canadian directors on its board

MR. LANK: Exhibit A.

THE CHAIRMAN: You publish statements; your officials take part in community and national affairs and you enjoy the tremendous advantage of having access to the research facilities of your parent concern but you supplement those research facilities to the extent that it is wise to do in this country. Now, a lot of people would say that

is a blueprint that they are looking for and what I want to ask you is this: What disadvantages are there in that set up from the standpoint of the people who have the majority financial interest in your company?

MR. LANK: You mean disadvantage to them?

THE CHAIRMAN: Yes.

MR. LANK: Well, I think there is a very definite disadvantage to them for the short pull but for the long pull, I think it is advantageous. Let me cite you a case. Several years ago, we were importing some commodities from the parent company in the States and we just could not make those products here and make the same profit here on the manufactured commodity as we could on the imported commodity, as a resale commodity. So we just shilly-shallyed and thought that everybody was quite happy until some competitor got up early in the morning and decided to put up a plant here and our market disappeared overnight. I say therefore in the short pull the parent company in the States undoubtedly could make more money out of the Canadian market if we didn't exist.

THE CHAIRMAN: I didn't mean that at all. I meant what disadvantages are there from the DuPont Company's standpoint, the American DuPont, in not operating in Canada with a wholly owned subsidiary company. What disadvantages are there?

MR. LANK: There are certain disadvantages tax-wise but I would rather not get into those because

it is debatable as to just how significant they are. However, there is this disadvantage though. The chemical industry is very conscious of the manpower situation and of the talent situation and I feel, and I presume that they feel, that we have a much better opportunity to tap the technological talent of this country. We hire about 150 chemists or engineers a year. That is what we are hoping to hire out of this year's class, 150. We won't get them but we are going to try. But they feel presumably -- I haven't discussed it with them -- but I feel definitely that acting as Canadians and trying to be a part of the community as we certainly do try at least, we have a better opportunity of attracting that type of person to our organization than a competitor next door who has to refer everything to Detroit.

THE CHAIRMAN: I said what are the disadvantages to the American DuPont Company?

MR. LANK: Only the short term disadvantage which is derived from the fact that they could make more money out of this market if we didn't exist.

THE CHAIRMAN: You haven't answered my question. Now, let me do it over again.

MR. LANK: I must be getting thicker all the time.

THE CHAIRMAN: If instead of having a subsidiary in Canada such as you are, with Canadian directors and Canadian financial participation, you were set up as a wholly owned subsidiary?

MR. LANK: Yes.

THE CHAIRMAN: Without Canadian financial participation and so on, would that be of greater advantage to DuPont?

MR. LANK: I thought I answered that by saying that under those circumstances the DuPont Company would be like one of our competitors today, 100 percent American subsidiary and he simply doesn't have the opportunity of drawing talent to him that I have drawing Canadian talent to me.

THE CHAIRMAN: You like your set up?

MR. LANK: I like my set up.

THE CHAIRMAN: Thank you very much. We will adjourn till after lunch.

(At 1:05 P.M. the Commission adjourned until 2:30 P.M.)

A F T E R N O O N S E S S I O N

APPEARANCES:

Mr. H. Greville Smith, President,
Canadian Industries (1953) Limited.
Mr. David Braide, Economist.

Dr. R. S. Jane, President,
Shawinigan Chemicals Limited.

Mr. Elliott S. Frosst, President,
Charles E. Frosst & Company.

THE CHAIRMAN: Well, shall we come to order? The first submission this afternoon is that of Canadian Industries Limited; Mr. Smith, we will mark your statement Exhibit 204. I nearly said Canadian Industries (1953) Limited.

MR. SMITH: (1954), sir. That is the past; we are dealing with the future.

THE CHAIRMAN: Would you like to start?

MR. SMITH: Mr. Chairman and gentlemen, as you have arranged for several representatives of the Chemical Industry to appear before you I have assumed that amongst us we shall probably give you all phases of the industry of interest to you and on that assumption I propose in my remarks to deal with just one or two features which I think have a bearing upon the future growth of the industry. It is not a submission dealing with our company or our company's products; it is general and is without statistics but if any questions, matters relating to the companies or statistics arise, I hope I can answer them to the best of my ability. With your

permission, Mr. Chairman, I will read the remarks I have.

In your invitation to appear before the Commission you asked me to discuss the forces which may be expected to govern the future development of the Canadian chemical industry. You also expressed interest in the prospects for growth in the geographical regions of Canada. In dealing with these subjects, my observations will be directed particularly to those parts of the chemical and allied products industry which manufacture industrial organic and inorganic chemicals, fertilizers, explosives and primary plastics.

The chemical industry, so defined, can be divided into two broad categories: first, a relatively small number of large-volume industrial chemicals, mostly inorganic products such as acids, alkalis and salts; and second, a very much larger number of medium and small-volume chemicals, mainly organic and including most of the complex research products such as primary plastics and other synthetic organics.

Importance of Chemical Industry

It is true that the chemical industry is not large in relation to industry as a whole. However, it has an importance greater than would be indicated by its size alone; its products are essential to most other industries; its services are vital to natural resources development; and its research products contribute greatly to the betterment of living standards.

Theme of Presentation

From this presentation it will be evident

that the industry's past growth, though rapid, has emphasized products related to natural resources development, resulting in an imbalance in the industry's present structure through concentration on the production of heavy industrial chemicals. If the chemical industry is to make its fullest contribution to our standard of living and to Canadian development over the next 25 years, this imbalance will need to be reduced by greater diversification into the newer synthetic chemicals derived from research. These products tend to be used more directly in the manufacture of consumer goods than the heavy industrial chemicals which account for the bulk of the industry's present output.

REGIONAL LOCATION

Degree of Concentration:

Turning first to the geographical development of the industry, we find that its most striking characteristic is its concentration in Quebec and Ontario. These two provinces in 1954 accounted for 89 percent of the production of the industry as compared with 6 percent for British Columbia, 4 percent for the Prairie Provinces and 1 percent for the Atlantic Provinces. This distribution has changed very little over the past twenty years, although new chemical developments based on Alberta natural gas are tending to increase slightly the relative importance of the Prairies.

The degree of the industry's concentration is somewhat greater than for manufacturing as a whole,

of which Ontario and Quebec account for^{no}/less than 80 percent of total Canadian output.

Reasons for Concentration

The central location of the chemical industry is explained chiefly by the geographical position of the main markets for the large-volume industrial chemicals, which account for most of the industry's output. In contrast to most of the synthetic organics, these chemicals are priced at only a few cents a pound, so that freight charges form a high proportion of their delivered cost if they are moved very far.

And I might leave my brief just at this moment to give an example of that, Mr. Chairman -- two products which are manufactured by our own company. If you have the freight, on let us say polythene and liquid chlorine from Alberta, in the case of polythene which has a price range of 35 cents to 45 cents, the freight to Eastern Canada would add 5 cents or 7 cents to the selling price. In the case of liquid Chlorine it is a $3\frac{1}{2}$ cents per pound rate and the increase in price would be well over 100 percent, which shows the impossibility of bringing lower priced heavy organics large distances.

Accordingly, plants producing them usually must be located close to the industrialized areas where they are consumed, except where raw materials or power are sufficiently low in cost to compensate to some extent for transportation charges.

Outlook for dispersion

Looking to the future, we may expect that in other provinces the population and markets for chemicals will increase. As a result, new chemical plants will tend to be more widely dispersed across Canada, particularly in areas with new raw material sources the development of which requires, or provides by-products for, heavy chemicals production. The change, however, will be a gradual one, and it is not to be expected that the relative importance of Quebec and Ontario will materially diminish in the foreseeable future.

The Atlantic Provinces

In the Maritimes, for example, chemical opportunities may arise from the development of the forest and mineral resources of the area. However, prospects for chemicals manufacture in the Atlantic Provinces will depend on whether adequate markets can be obtained, either locally or overseas.

The Prairie Provinces

In the Prairies, sulphur extracted from natural gas is a potentially important chemical raw material, and the area abounds in low cost hydrocarbons suitable for making petrochemicals. In view of Alberta's small internal market, future diversification into synthetic organics will emphasize products with a high unit value which can be made and sold at competitive prices in eastern Canada and foreign markets in spite of freight charges.

British Columbia

Coastal British Columbia shows promise as a chemical producing area despite its relatively small population and its vulnerability to competition from water-borne imports. The early phases of growth are already becoming apparent with the announcement of new chlorine, caustic soda and sodium chlorate plants; emphasis will be placed on heavy chemicals needed for, or derived from, natural resources.

Summary

The conclusion to be drawn from these observations is that Quebec and Ontario will continue for many years to be the main chemicals-producing area. As dispersion occurs, it will do so largely in association with natural resources development and in the heavy chemicals field, rather than through diversification into the newer synthetic organic chemicals.

It occurs to me, Mr. Chairman, at this point I might leave my text and give you an example from our own experience of how this concentration of chemical industry occurs in practice. I have been speaking of it in general terms. Take a case of fairly recent development in our own recent experience. In the early years of this century when the manufacture of caustic soda and chlorine by electric process was first undertaken. I am not going to worry you with technical words but we started to manufacture in Canada and the process available to us required the use of brine which, of course, as you know, is a solution of common salt and the process was such that

only a portion of the salt content was utilized and the brine was then thrown away and a new brine pumped through the system. It was quite obvious, therefore, that the process had to be located on top of brine or close to it. Perhaps Windsor was a little too close to it. It had to be close to brine because it was impossible to contemplate the shipment of a diluted material such as a 30 percent solution across any distance but with the advance of technology a new process developed whereby it was possible to use solid salt and use 100 percent of the product and immediately it made possible carrying the process to where the products could be made more suitably and when we made that major development in the process, we built plants 400 and 700 miles from the brine. That was an example of the concentration. We moved close up to our customers and reduced freight rates because the freight on moving bulky solid is less than the freight on the composition. That is a very simple example of what I have been speaking of in general terms and explains why the chemical industry in Canada is concentrated around about its customers. That is one case. Until technology released us from the necessity of using brine we had to be where the brine was. Later we moved to where the customer was.

THE OUTLOOK FOR THE CHEMICAL INDUSTRY

This brings me to the second part of my presentation, which traces the growth of the chemical industry in Canada -- growth which has been vigorous and healthy for heavy chemicals but retarded for most

of the synthetic organics.

Past Growth Rates

The Canadian chemical industry has been growing very rapidly during recent decades; since the nineteen-twenties the volume of output of chemicals and allied products has grown five-fold as compared with a three-fold increase for manufacturing as a whole. The industry now accounts for $5\frac{1}{4}$ per cent of the value of Canadian manufacturing as compared with $3\frac{1}{2}$ per cent in 1926. The swifter rate of chemicals expansion is explained largely by the fact that the chemical industry is necessarily a latecomer in economic development. It follows after agriculture, mining and heavy manufacturing because its principal market is not the individual consumer but primary and secondary industry. Once a certain degree of industrialization is reached, the manufacture of the basic industrial chemicals begins; still later, diversification into more complex chemicals occurs as secondary industry itself develops.

Nature of Growth

The industry's rapid growth is attributable in the main to industrial chemicals associated with natural resources development, particularly where there has been access to low cost power and raw materials or where assistance has been provided by freight or tariffs. For certain chemical products, such as fertilizers and chlorine, access to foreign markets, either for the products themselves or for natural resources in which they are used, has made possible

the construction of large chemical plants.

Outlook for industrial chemicals

By making full use of the opportunities so presented, the industry has been able to undertake the production of all but a few of the large-volume industrial chemicals. As the Canadian economy expands, the customers of the chemical industry will need steadily increasing amounts of heavy chemicals, and the outlook for these parts of the industry is most favourable.

If certain branches of the Canadian chemical industry have shown the ability to grow in a quite remarkable degree over the last few decades, are there any reasons for supposing that growth at an equally rapid pace will not continue into the future? I think there are.

Size relative to other countries

Despite the past expansion of the chemical industry, it is still not as large in relation to the economy as a whole as it is in many other countries. The output of chemicals and allied products in Canada is only about one twenty-fourth that of the United States, whereas manufacturing production in this country is better than one fifteenth the United States total. Comparisons with other countries such as the United Kingdom and Germany show similar relationships.

Predominance of Industrial Chemicals

This disparity is almost entirely attributable to lower production of organic chemicals in this country. Canada's output of heavy industrial chemicals

amounts to one fourteenth the United States output and supplies over 80 per cent of the market for them in this country. Organics production in Canada, on the other hand, is only one thirty-fifth of the United States total, whereas the market for organics is at least one twenty-fifth of that in the United States. There are less than 400 organic chemicals made in Canada as compared with more than 7000 in the United States.

Reason for Imbalance

For its size, the Canadian chemical industry is far less diversified than its counterparts in other countries because of the limited domestic market available to it. This is so not only because of the smaller size of the Canadian economy but also because of the less developed state of Canada's secondary manufacturing industries; these are the principal consumers of the synthetic organics, unlike the heavy industrial inorganics which are used mainly by the natural resources industries.

Effect of plant size on production costs

The disparity in market size seriously affects the industry's ability to build a plant the output from which can compete successfully with imported chemicals. Experience shows that a plant with four times the capacity of another costs about twice as much to build. Thus an ethylene glycol plant with an annual capacity of 30 million pounds costs about \$10 million as compared with \$20 million for a 120 million pound plant. Those are the figures which

I think were presented to the Tariff Board some little time ago. The charges related to investment in the unit cost of a chemical produced by a large plant will accordingly be much lower than for a small one.

Other influences on cost

This cost penalty in competing with larger United States producers is sometimes further increased by climatic conditions in Canada and by higher costs of machinery and equipment, and cannot be overcome by greater efficiency in operating methods. It is actually most marked for chemicals produced in the more complex type of plant in which the production process depends more upon costly equipment than upon labour. Indeed, for some chemicals fixed charges form the largest single element of cost, exceeding raw materials, labour or supplies.

Lack of Special Advantages for Synthetic Organics

Moreover, the special advantages which have enabled producers of heavy industrial chemicals to overcome the limitations of the small domestic market may not apply to many of the remaining candidates for diversification. For example:

1. Unlike the heavy chemicals, most of the synthetic organics not yet produced in Canada are of a high unit value, and a domestic producer therefore would not benefit to the same degree from freight advantage.

2. Export opportunities are very limited in view of the natural desire of other countries to encourage domestic manufacture of chemicals by the

imposition of tariffs on imports.

3. The synthetic organics are not widely used in the processing of natural resources, so that indirect export markets are not available.

4. In contrast to most chemicals produced in Canada, many of those which are now imported and are logical candidates for domestic manufacture are not given sufficient tariff assistance to offset the cost advantage enjoyed by large producing units in the United States or elsewhere.

Analysis of Chemical Imports

Of these, the lack of tariff protection is the most important limitation on the ability of the chemical industry to diversify into products not yet made in Canada. This can be more readily understood when present imports of chemicals are analysed.

Canadian purchases of chemicals from other countries amounted to about \$160 million in 1954, or 40 per cent of Canadian consumption, and can be classified into three groups:

First, those chemicals, largely heavy industrial, which have a freight advantage in certain regional markets, such as caustic soda on the West Coast; or which cannot profitably be made in this country because of their dependence on raw materials not readily available in Canada, such as triple super-phosphate, borates and chromates.

Second, organic chemicals such as synthetic resins, dyestuffs, solvents and organic agricultural pesticides, which are imported in medium to large

quantities and which are either subject to duty drawback or bear little or no duty.

Third, a large number of small-volume specialty chemicals, the production of which is usually carried on in highly integrated fine chemicals factories of a type not yet widely established in Canada. Even though most of these chemicals bear a 15 percent duty, and would qualify automatically for 20 percent when manufactured in Canada, the market is still too small to make their production profitable.

Outlook for Second Import Group

The next step in the chemical industry's growth should logically be into chemicals now imported under the second of our three categories, to an estimated value of nearly \$100 million in 1954. Some of these chemicals are already being produced in Canada, and others may eventually be made here if markets expand to the point where plants large enough to compete with foreign producers can be supported; but progress in this direction will be slow because the medium volume organics bear a lower rate of duty than that available for most inorganic chemicals. Furthermore, unlike the small volume chemicals in the third category, they have no automatic provision for a higher rate once their domestic manufacture is started.

Comparison of U.S. and Canadian Chemical Tariffs

The importance of this factor becomes clear when tariff levels in Canada and the United States are compared. Canadian tariffs on heavy industrial chemicals made in this country are not much lower, and in

some cases are higher, than those charged by the United States. Significantly, however, tariffs charged by the United States on most of the synthetic organics range from 25 percent to 45 percent ad valorem, as compared with $7\frac{1}{2}$ per cent or less on imports of these items into Canada.

It is also of interest to note that in 1922, when in many respects the chemical industry in the United States was at a stage of development similar to that of the Canadian industry at the present time, the Fordney-McCumber Tariff Act gave tariff rates of 25 - 60 percent to many chemicals and particularly to the synthetic organics. As a result, the organic chemical industry in the United States was able to become established, a step which would have been difficult against the vigorous competition which would otherwise have been encountered from European producers.

U.K. Chemical Tariffs

The British situation at that same time is illustrated by the following excerpt from a study by the United Kingdom Information Office:

"After the first world war, the realization of the importance of the industry, especially on the organic side, to the national economy prompted the Government to give it assistance through the Dyestuffs (Import) Regulation Act 1920 and the Safeguarding of Industry Act 1921. The first gave the Government powers to prohibit imports of dyestuffs and intermediates except under licence. These powers

"were used to prevent imports of dyestuffs which British manufacturers could supply at reasonable prices. The second gave tariff protection to all other synthetic organic chemicals and to fine inorganic chemicals by applying a key industry duty of 33-1/3 per cent ad valorem".

That is the end of the quotation from the Information Office publication.

Importance of tariffs to diversified growth

This suggests that the British and United States experience of the early 1920's might be repeated in this country if tariff assistance similar to that given most other chemicals were available for primary plastics and other synthetic organics in our second import category upon manufacture in Canada. In other words the industry's progress towards diversification of output would be accelerated.

Tariffs and the National Interest

Up to this point it has been shown how the diversified growth of the chemical industry could be encouraged by the provision of tariffs on imports of a limited range of chemicals. Whether or not this would be desirable for the economy as a whole raises fundamental questions as to the advantages and disadvantages of tariffs. I am convinced that a moderate degree of tariff assistance for manufacturing industries would on balance contribute substantially to the sound growth of the Canadian economy.

The resulting impetus to industrial

expansion would, I believe, more than outweigh any short-term influence on prices and costs, and would by no means be incompatible with the continued growth of the important natural resources exporting industries, which would also benefit from the resulting improved domestic market for their products. In my opinion, the only way in which Canada can attract and hold the population - and particularly the technical skills -- needed to develop its full economic potential is by providing a favourable environment for the secondary industries, which are either directly or indirectly large employers of labour. And it has been true since 1867 that a price, in one form or another, has had to be paid for Canadian nationhood.

Special features of chemical industry

In assessing the chemical industry's qualifications for encouragement, the following points should be taken into account. The industry is highly productive in terms of value of output per man-hour as a result of its heavy capitalization. Although not a large direct employer of labour, it aids the development of Canadian mineral and forest resources, and its products are essential to many other industries which together provide employment for a large part of the labour force. Furthermore, the industry provides opportunities and experience for the scientifically trained personnel who are needed to maintain technological progress and who played such a vital role in Canada's industrial effort during and after World War II.

At a time when there is mounting concern over the shortage of technically trained teachers and university graduates, the attractiveness of chemistry and engineering courses could be enhanced, and graduates would be encouraged to remain in Canada, if greater opportunities were available for employment in the chemical industry and particularly in the challenging field of organics. Further, the scope of the industry's research activities could be extended if there were greater promise of being able to put results into commercial practice.

SUMMARY

In conclusion, my remarks have been designed to show why the growth of the chemical industry during recent decades, though rapid, has been concentrated in the provinces of Ontario and Quebec and has been weighted in favour of the heavy industrial chemicals. The regional and the product imbalance may both be modified with the passage of time. The output of those chemicals which are already produced in Canada will continue to advance to fill the growing needs of our expanding economy; but diversification into the newer synthetic chemicals derived from research will be slow unless tariff assistance is provided for these products. The encouragement of a more balanced growth, both for chemicals and for other manufactured products, would, I am certain, make a worth-while contribution to Canada's progress towards economic maturity, without any adverse effect upon the continued development of the primary export industries, including agriculture.

That, Mr. Chairman, brings me to the end of the submission. We do not, as an industry, of course, come here with a suggestion that we are in dire economic straits and that if something is not done the industry will fall apart. Clearly that is not the case. We have shared very well in the industrial progress of the last two decades in Canada and in fact have, as I have pointed out, I think, grown at a little greater rate than the balance of the industry for the reasons which I have outlined and I think in the process we have made our own contribution in industry to the economic growth of Canada, but that, of course, is all in the past and what you are concerned with in the Commission is the future.

What we do say is that we feel that there are potentials in the chemical industry for the future and for the Canadian economy which may not be realized or may not be fully realized unless we take some of the steps which I have suggested here as being beneficial to the development of the industry and I believe to the benefit of the Canadian economy and that really is the nub of my proposal, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Smith.

MR. GUSHUE: Can a comparison be given, Mr. Smith, of the rate of growth of the secondary industry post war as compared with the heavy primary chemical industry? It has lagged behind, I understand.

MR. SMITH: I am afraid I can't. I can give you the growth of the chemical and allied products

as being quite substantial. From 1946 to 1954 it just about doubled from 450 to 920, million dollars. In the whole of the secondary industry I am not sure. I would mention this point, I think I recall Dr. Gushue, concerning employment, since the end of the war I think there has been a reduction of something like 290,000 in the employment of all primary industry which includes agriculture. There has been considerable reduction in agriculture due to improved methods, mechanization and so forth, but at the same time in secondary industry and services there has been a growth of 525,000 in employment. There has been a tremendous growth in employment in secondary industry and services combined, I haven't it in mind separately, Dr. Gushue, but it indicates there has been a very substantial growth to about that increase in industrial employment.

MR. GUSHUE: What are the employment figures for the chemical industry?

MR. SMITH: About 51,000 last year, Dr. Gushue. That is the industry which is termed by the Dominion Bureau of Statistics as chemical and allied products. Of course it includes a variety of industries which are chemical consuming such as the soap and paint industry. They are the only recognized group the D.B.S. has in that 51,000 approximately.

MR. GUSHUE: I take it if a moderate degree of tariff assistance were given, it would bring about an immediate rise in consumer cost. Am I right in that?

MR. SMITH: Not particularly, Dr. Gushue.

MR. GUSHUE: I guess I had better read what I had in mind. On page 14 you say:

"The resulting impetus to industrial expansion would, I believe, more than outweigh any short-term influence on prices and costs"

I rather took it from that that you did anticipate a rise in cost.

MR. SMITH: There is of course the likelihood that there will be some increase but as a matter of fact I did look up some figures of our own some time ago on the effect of tariff on our prices to our customers. You can't just take necessarily, a list price for the reason that you have such things as freight equalization and so forth. What I did was to take the deliveries to our principal customers of a particular product and take the delivered price to them from the United States with duty and the delivered price from ourselves, and I would say that on an average they don't pay more than 10 percent of the duty protection. Now the duty protection is of the order of anywhere from zero to $7\frac{1}{2}$, 10, 20 percent, so 3 or 4 percent is probably the sort of figure. Now, that varies of course in certain industries, and in the paint industry which is a highly competitive industry in this country, we probably have something like 50 percent of the duty protection, which varies of course in various products from say 5 percent to 20 percent for different items of the industry. But there is not a very large increase partly because of

the fact as I mentioned earlier in my remarks, the factor of freight, of course, gives some advantage to the Canadian producer which assists him in his higher costs. But of course higher costs here are -- I think most of us in the industry would agree that our costs for many products are going to be higher than in the United States because we haven't the possibility of building as large a plant. In certain cases, of course, we can build just as large a plant and I think our experience indicates that we can get similar costs.

MR. GUSHUE: I suppose it is natural it would be good business to take the fullest possible advantage of tariff protection or would competition cure it?

MR. SMITH: It is not good business to take the fullest advantage of it, or shall I put it this way, if I may use the expression, in self-interest because at the stage where you have a saving of the duty and the market is any size at all then somebody else will come in.

MR. GUSHUE: That will be competitive?

MR. SMITH: Yes, and I think generally speaking the chemical industry has quite a good record there of not trying to take all the advantage of that. Furthermore, of course, it has been the experience of many of us in the industry that once you have got a plant going perhaps in a new field, there often is considerable opportunity of market development by lowering the price and when you open up a new field,

it compensates you for the price reduction by volume but I think the industry as a whole has done quite a little in this line, from my own experience.

MR. GUSHUE: I take it that the industry doesn't count export business because of the facts given in this and other briefs in the secondary industry?

MR. SMITH: I don't see a great deal in the chemical industry and largely for this reason, Dr. Gushue. If I may use the term, the chemical industry is a highly portable industry. If I may just take a moment of the Commission's time to explain what I mean there. Let us compare it with mining. You must necessarily extract an ore from the place in the ground where it happens to be and no matter how desirable it might be to have it next door, it can't be done if it isn't there. But the chemical industry is quite different. Let us take a heavy chemical like ammonia. Where you have water and power you can make ammonia anywhere on earth. You need only water and power. Water and power are, of course, very widely available. I say water and power, water for tooling and power will even produce your raw material because as is well known in the very large plant of Consolidated Mining and Smelting they produce their hydrogen from electrolytic power, from natural gas, from oil, from coal and so forth. So that there is nothing to suggest that the manufacturing of ammonia in Ontario, for example, will be cheaper than in India or perhaps as cheap but easier climatic conditions do make the cost of the plant very

much lower. So that many chemicals do depend on access to raw materials rather than necessarily persons, but they can be made in a variety of places in the world in which case with a natural desire of many countries to be more self-contained in chemicals they are going to be made there. I don't expect a lot. At the present time we have a very substantial export which perhaps will illustrate my point as at this moment. I don't expect it to continue because the countries to which we ship are now building their plants. As soon as they have their plants developed our business will just cease. We will get somewhere else and continue in other markets but I don't see the chemical industry having a large export, not because of lack of enterprise but because of, if I may use the expression, the portable nature of the industry.

MR. GUSHUE: You made a general statement which we have heard before on page 14. Perhaps you might like to deal with it. I would like to hear it in greater particularity. You say:

"And it has been true since 1867 that
a price, in one form or another, has
had to be paid for Canadian nationhood."

Would you like to expand on that.

MR. SMITH: Yes, sir. I think we all feel, and with reason, that we pay a little more for many things in Canada which might be cheaper if they were imported. I am sure that things we sell, some of them, would be cheaper if we didn't have them made here, but this is the price of having a country of developing

population, to make them here and pay that larger amount. I think we would be foolish -- and most Canadian manufacturers would agree -- to suggest there is no penalty in manufacturing here. There is, but we think it is worth it. It is part of that price.

THE CHAIRMAN: Don't you think for Dr. Gushue's benefit as a relatively new Canadian you could add that there are some compensations?

MR. SMITH: Oh, certainly, but I assumed Dr. Gushue found that when he arrived in Confederation.

THE CHAIRMAN: That is why he came in.

MR. GUSHUE: I was going to put that another way -- rather you might want to say a reasonable price to pay for nationhood.

MR. SMITH: Well, a reasonable price that more than offsets the penalty.

MR. GUSHUE: Then it is not a penalty.

MR. SMITH: Yes, I agree with you.

MR. GUSHUE: Yes, a reasonable price for nationhood.

MR. GRAUER: There is only one point in discussing the regional possibilities of the chemical industry you refer to:

"The coast of British Columbia shows promise of becoming a producing area despite its relatively small population and its vulnerability to competition from water borne imports."

Is there any prospect that the location at Tidewater

might be of some advantage in the future?

MR. SMITH: There is a possibility, Mr. Grauer. You are getting natural gas there but, of course, if I may go off on a tangent for a moment. Natural gas is an interesting raw material, but it is not the only one. You have already available artificial gases which are a competitor of oil. But there is a possibility of making, for instance, fertilizer there except that British Columbia is itself perhaps, the largest producer of fertilizer now and perhaps is reasonably supplying the markets available to it in the Orient and the western United States. I am not over-sanguine about other than fertilizer or another example which I think unlikely would develop there, synthetic rubber, where you have a fairly wide world market, but that is already, I think, taking place in Sarnia.

There is, of course, the manufacture of sulphuric acid, caustic soda and chlorine for the pulp and paper industry. It will be based on the industries which are there now.

MR. GRAUER: Yes, as you point out there is quite an expansion happening there right now.

MR. SMITH: There is.

THE CHAIRMAN: Well, thank you very much, Mr. Smith, for this presentation which has been interesting and very helpful to us.

MR. SMITH: Thank you, Mr. Chairman.

--- Recess

--- After Recess

THE CHAIRMAN: Dr. Jane, I think for the record we will mark your submission Exhibit 205. I usually forget and I get checked up.

MR. JANE: I welcome this opportunity of submitting my views to the Commission but I am a little afraid what I have to say is going to be pretty much a repetition of what has been said from this chair at least twenty times in the last six months. However, I have a few points to make which might be of some value to the Commission.

There are many features of the chemical industry in Canada which differentiate it from that of the major chemical producing countries of the world, such as the United States, the United Kingdom and Germany. Several of these features (listed below) have influenced the growth of our chemical industry in the past and will continue to play an important role in our expansion over the next 25 years.

1. The small domestic market due to a relatively small population.
2. Large-scale development of several of our primary industries, but retarded development of chemical consuming secondary industries.
3. Limited research effort on the part of the chemical industry.

The Canadian Market

Data which may be readily obtained from the Dominion Bureau of Statistics clearly indicate that previous to World War II, Canada was primarily an agricultural country trading predominantly in the

sterling area. Today, she is rapidly becoming an industrial nation carrying on the bulk of her trade with the United States. (See Charts Attached). This shift in emphasis has introduced many serious problems for Canadian industry as a whole.

Our primary industries, such as pulp and paper, iron ore, asbestos, metals (copper, lead, zinc, aluminum), and fertilizers, etc., have been expanded many fold; far beyond the Canadian requirement. There has been no difficulty in finding export markets for these materials because many foreign countries are glad to waive their import restrictions in order to obtain raw materials for their highly developed secondary industries. But the sale of our natural resources to foreign countries in the form of basic raw materials will not for long support our growing population; nor will it permit us to develop into a strong and prosperous nation.

The President of the Abitibi Pulp & Paper Company, Douglas Ambridge, whom most of you know, speaking before the Canadian Club in Montreal last October, had this to say,

"We are not developing our country to suit the needs of Canadians. The truth is that we are developing it to a great extent as a source of raw materials to supply the needs of the citizens of the United States. There is a great danger that our nation will become over-developed in some respects and woefully underdeveloped

"in others."

The question that Canadians are asking today is -- why not develop diversified secondary industries of our own, using the products of our forests, mines, smelters, oil and gas wells, as raw materials. It sounds simple and logical, but unfortunately, it is here that serious difficulties arise. We have in Canada the necessary know-how and skills to build up and finance the required secondary industries, but what we do not have is access to adequate markets.

In the production of chemicals, as is the case with several other branches of industry, costs hinge to a large extent on the scale of operation, with labour, maintenance, capital charges and frequently the cost of raw materials, mounting rapidly at low rates of production. In other words, the cost of production decreases as the volume of production increases, but ultimately a point is reached where a further increase in volume does not significantly lower the cost. This point is known as the minimum economic unit, and a plant operating at a volume much below this minimum invariably finds that its profit margin is insufficient to justify the capital expenditure. In Canada, owing to our relatively small population, there are a limited number of industrial chemicals for which the domestic market is sufficient to support the minimum economic unit. This number would be very much greater if the Canadian manufacturer was not required to share his

already small market with the large producers in the United States, the United Kingdom and Germany. The Canadian tariff today as applied to chemicals is in many cases quite inadequate to protect the domestic producer against foreign importations. Furthermore, the Canadian manufacturer of secondary chemicals, such as aldehyde, phenol, phthalic anhydride, 2,4-D and DDT, is at an additional disadvantage because he is barred from his competitors' domestic markets by prohibitive tariffs and foreign exchange restrictions. The large chemical corporations, particularly those in the United States, look upon Canada with its ineffective tariff system, as the ideal spot to export their surpluses and dispose of incremental production. Our domestic producers cannot stand this type of competition, with the result that secondary manufacture in Canada is discouraged and in some cases, indefinitely postponed.

Canadians are traditionally free traders, but I think that most people will agree that world-wide free trade today is pretty much a utopian concept. In the public mind, tariff protection is invariably associated with higher prices to the consumer. As far as the chemical industry is concerned, this is the exception rather than the rule. The manufacturer of industrial chemicals is interested in tariff protection primarily as a means of obtaining sufficient domestic market to enable him to operate at least at a minimum economic level. As a matter of fact, if one reads the Canadian Tariff Act carefully,

he finds that under the Act the Governor-in-Council has the power to reduce or remove the duty if the tariff is used simply as a means of obtaining higher prices. It is interesting to note that in the United States those chemicals which are subject to the highest import duty, i.e. in excess of, say 30 percent, are sold at prices lower than in any other country in the world. The keen competition among producers in the United States is, of course, the answer. It is competition and not tariffs that determine prices. The same is true to a limited extent in Canada, and where there is more than one supplier, competition keeps prices pretty well in line. Obviously, it is essential that consumers of chemicals obtain their requirements at a cost that will enable them to put their manufactured goods on the market at competitive prices.

From the foregoing, it is difficult to escape the conclusion that if a secondary chemical industry in Canada based on our natural resources is to be developed to keep abreast with our present rate of growth of population, serious thought must be given to some more effective means of protection for at least a limited period of time.

I do not advocate sweeping changes in the Canadian tariff, but the adoption of an intelligent policy of selective tariffs for a relatively few products, and a complete revision of the present practice of allowing products to enter duty-free for special purposes. I would underscore the word

"intelligent" because students of Canadian commercial history tell us that the great decisions which have shaped Canadian tariff policy have resulted from pressure of articulate political groups, and have not been the logical development of a well-conceived economic plan.

THE CHAIRMAN: Any particular groups?

MR. JANE: No.

Research - apart from the excellent work being carried on by the National Research Council and also by some of our universities, the research effort in Canada has not been commensurate with the industrial potential of the country. On a per capita basis we trail the United States and the United Kingdom by some distance. The same considerations which govern the marketing of chemicals in Canada apply in the case of research. The "pot of gold at the end of the rainbow" which awaits successful research is much smaller in Canada. A company embarks on a research project with a definite purpose in view, usually the development of a new process and/or a new product, which when added to the company's line will contribute to the annual income. The cost of taking the project from "test tube to tank car" usually runs into several million dollars, and it is a matter of simple arithmetic to show that in order to justify the expenditure a market of a certain minimum size must be available. Only in exceptional cases does such a market exist in Canada.

Furthermore, a chemical company offering a new product of unknown use is at a disadvantage in

Canada as it must rely on the research staffs of consumer or secondary industries to find uses for the new material. This type of research is almost non-existent in Canada, and if the product is a new chemical intermediate it falls on rather barren ground. In the United States, on the other hand, chemical corporations frequently spend upwards of 20 million dollars on research, plant and market development on a new product before receiving a cent of revenue, but these companies proceed in the knowledge that they can create a market and that there are hundreds of chemists and research engineers in the secondary industries who are ready and willing to investigate new uses for the new material. Proof of this may be found in the U.S. patent records where there are scores of , yes, literally hundreds of patents describing new applications for such materials as nylon, polyester resins, and acrylonitrile, etcetera.

The Shawinigan Chemicals is often cited as an example of a company wholly owned in Canada which has benefited greatly from its own research. While it is true that Shawinigan has carried on industrial research on a comparatively large scale for more than 35 years and has developed important new processes and products, yet it must be admitted that the most important of these have had to be exploited outside of Canada in order to justify the expenditure on research and development. The Canadian market for Shawinigan's polyvinyl acetate and acetal resins has been disappointingly

small, but our operations in the United States based on these materials have been an outstanding success, and continue to grow.

It is rarely if ever possible for industrial research in Canada to be justified on the return from royalties on patented inventions. Here again, Shawinigan has been quite successful and for many years royalties from patents have contributed substantially to the Company's annual income. However, it would be quite untrue to say that the income from this source justified the whole Shawinigan research programme. Actually, what has made this programme possible from the standpoint of return on the money invested in research and development, is the successful exploitation of our inventions in foreign countries, principally in the United States. But from the standpoint of this brief it is important to stress that the exploitation of the results of Canadian research outside Canada, like the sale of our raw materials mentioned previously, does not materially contribute to the industrial development of our country.

Another factor which has in the past adversely affected the quantity and quality of research done in the chemical industry in Canada is the fact that a very large portion of our industry is foreign-owned, and the research to support the industry is done outside our borders.

Nearly all the major chemical companies in Canada are owned in the United States or the United Kingdom. The pattern usually followed is that a new

chemical or resin or fibre is discovered in the laboratories of the parent company and if it has merit it is produced commercially in that country with the Canadian demand being built up by imports. The programme is assisted by advertising in American magazines and journals which are read widely in Canada, and also by our low import duties, especially on chemicals which are not produced in Canada. In many cases, however, it is cheaper for the foreign company to continue indefinitely to supply Canada by import as the small Canadian demand can be more economically supplied as incremental production out of a large foreign plant than in a small, less economic Canadian unit. Most companies are in the position of having more opportunities for investment than there are funds available, so view their investments in terms of rate of return. When a U.S. chemical company can show a better rate of return on an investment at home than in Canada, and this is usually the case, they will let their Canadian investment wait. Conditions such as these do not provide the fertile soil necessary for the healthy growth of research and development in Canada.

Now, at this point I should point out that I do not make these remarks in any critical or derogatory sense. The procedure followed by these foreign owned companies has been dictated by economics. It would have been impossible for them to have developed these new products in this country. We in Shawinigan Chemicals are also guilty of this. We actually go one

better or one worse, whichever way you look at it. We actually make raw materials or semi-finished products, ship them down to the States, pay a 25 percent duty, manufacture them in our plant in the United States, ship them back to Canada and under-sell ourselves in Canada. In fact, we have recently shut down a plant at Shawinigan Falls just for that reason, that it is not economic under present conditions in Canada.

However, in fairness to some of the foreign controlled companies, and two, I think are represented here today, it must be said that in the last two or three years there has been an encouraging trend towards a more rapid development of the Canadian subsidiary. Several large research laboratories, staffed by Canadian scientists, have been built, and completely integrated plants to produce products such as Nylon, Terylene, and Polyethylene have been brought into operation. Furthermore, the managements of the companies have adopted policies which are in the interests of this country and its industrial development.

The conclusions to be drawn from the foregoing paragraphs are that adequate industrial research, especially new product research, is extremely difficult to justify under present conditions in Canada. Since research is the life blood of the chemical industry, it is almost imperative that some measures be taken to correct this situation, if chemical industry in Canada is to experience a normal development in

the years to come. The problem is intimately associated with the absence in this country of a well-developed secondary manufacture, without which research will never be on an entirely satisfactory basis.

Export Markets

It has already been pointed out that the Canadian market is too small to support an economic manufacturing unit for more than a limited number of industrial chemicals. Unless the Canadian producer can develop export business he is at a serious disadvantage opposite his competitors in the United States or the United Kingdom, the latter having a much larger population and a much better developed secondary industry to supply.

Before World War II the Canadian chemical manufacturer had access to a fairly diversified world market, particularly in the Commonwealth, and the so-called soft currency countries. Since the War, however, export business in chemicals to the United Kingdom and other sterling countries has seriously declined, owing to currency restrictions and lack of dollars in the hands of importers. There is a belief, albeit a wishful one, among Canadian exporters that the currency problem is a temporary situation which will correct itself in time.

In the meantime, however, there has been a marked increase in chemical production, particularly in the Commonwealth countries, which has been spurred on by the difficulties over the past ten years in obtaining their chemical requirements from dollar

countries, and also by the necessity of conserving dollars to purchase raw materials and other products which they cannot produce themselves.

In Britain several major chemical concerns have erected large petrochemical and synthetic resin plants which bring the country a long way towards self-sufficiency in chemical products. I might add to that we, ourselves, are now building chemical plants in England to supply our customers in England and in Europe. This is not because we cannot supply them from Canada -- we can, but if we do not build these plants, someone else will and our customers will be unable to get import licenses to bring in our material from Canada, so we have found it necessary to build plants in England and other foreign countries. This development is certain to adversely affect exports from Canada as there is no reason to believe that the British manufacturer cannot produce at a cost as low if not lower than his opposite number in Canada, with the latter having a further disadvantage of added freight and handling charges.

I am referring now principally to petrochemical products which are made originally from crude oil.

In attempting to appraise Canada's long term economic prospects it would be quite unrealistic to predicate our industrial future on an expansion of our export trade. Again I am talking chemically. Already Great Britain, the Commonwealth countries, and other nations of the world with which Canada enjoyed export

business in the past, are now rapidly building up integrated chemical industries to supply their own chemical needs. Furthermore, it is very doubtful whether Canada should rely to any extent on improved trade relations with our neighbours to the south as far as the export of manufactured or semi-finished goods are concerned. It would seem, therefore, that our best prospects for the future rest in the development of the market over which we have some measure of control, namely, trade within our own borders. In order to accomplish this, a greater incentive must be provided for the development of secondary manufacture based on our own raw materials so that there will be employment for our growing population and a market for the products of our expanding industries. This is not a simple task, but is possible, if approached intelligently on a long term basis by the proper people. Thank you very much.

THE CHAIRMAN: Thank you very much,
Dr. Jane.

MR. GUSHUE: I would like to ask just a question or two. Perhaps before I do, I ought to correct what may have been a misconception created by a remark of the Chairman in which he referred to the fact that Newfoundland was not long in the Confederation and that we were new Canadians. I think we ought to say that Newfoundland entered the Confederation in a complete spirit of reciprocity and that we look upon the mainland Canadians as new Newfoundlanders.

I refer to a remark on page 4 in which

you say the trouble with the secondary industry is that it doesn't have access to markets. I think it is perfectly clear from what goes afterwards that you do not refer there to foreign markets; you refer to Canadian markets.

DR. JANE: That is right.

MR. GUSHUE: You do not see much hope for the development of foreign markets for secondary industry?

DR. JANE: Secondary markets as far as United States is concerned and these secondary products are usually subject to high tariffs. It is impossible for our segment of the industry to get in there and in Europe and Commonwealth countries. As you know it is very difficult to get import licenses for products of that kind and generally in Britain and the United States the secondary industries are highly developed.

MR. GUSHUE: And very largely on population grounds and because of the tariff conditions and so on it would be uneconomic to try to develop the Canadian industry without protection?

DR. JANE: The protection is necessary to give us the market, not necessarily to get higher prices, to get the market.

MR. GUSHUE: Selective protection.

DR. JANE: Yes, a selective protection.

MR. GUSHUE: I was rather interested in your reference to building plants in the United Kingdom because of the soft currency and hard currency condition. Is it a possibility that you may be exporting from your

plant in England to Canada?

DR. JANE: It is impossible as far as these particular plants I am talking about are concerned. I doubt whether they could compete.

MR. GUSHUE: Even with the lower production costs in the United Kingdom?

DR. JANE: The lower production costs I was referring to I don't think would be sufficient to justify them exporting to Canada because we would have freight and handling charges against them then.

MR. GUSHUE: It would be an interesting eventuality though, to do that.

DR. JANE: Well, as Mr. Smith will tell you there are English companies exporting and importing to Canada in competition with us but that type of competition we don't object to. I don't object to competition at all as long as it is on a fair basis. The thing that is hard for us in Canada is that we would love to get into the United States market and we can't. That is the whole story. If we could get into the United States market where we would have a large market there are many things which we could produce as cheaply if not cheaper than in the United States. For our own company, which I don't want to refer to too much, we actually ship large quantities of materials to the United States. In one case we pay over 20 percent duty and in another case we pay over 25 percent and still we are competing.

MR. GUSHUE: Would it be a more ideal situation from the long position to have the same easy

tariffs between Canada and the United States?

DR. JANE: If it were easy enough and the tariffs were low enough.

MR. GUSHUE: That probably would be better than almost a straight limitation to the Canadian market, wouldn't it. There would be better possibilities.

DR. JANE: It would be much better, I think, if our secondary industry could have access to the United States market. Take the textile industry. I know nothing about the textile industry but I know something about the chemical industry and I think if our textiles could ship to the United States free, I think ---

MR. GUSHUE: I think they made that point the other day.

THE CHAIRMAN: They said they could not.

MR. GUSHUE: I was rather interested in just one more point, your reference to the adverse effect of research done by foreign companies in the States. We have had a lot of evidence to the contrary. That is your feeling, though, that it has an adverse effect?

DR. JANE: It has because when a foreign company does research in the United States and does not develop its project in Canada then we are not developing this country but as I was careful to say in the brief, I think that day is over myself. Take DuPont and Canadian Industries, they have built research laboratories, they are building plants and to all intents and purposes

they are Canadian companies as far as the development of this country is concerned.

MR. GUSHUE: Is there any industry research organization, I don't mean operated by individual companies, is there any research organization operated by the whole chemical industry here?

DR. JANE: No, there is just the Pulp and Paper Association.

MR. GUSHUE: I was thinking of the chemical industry.

DR. JANE: Not in the chemical industry. In Britain, of course, there are a number of them but in Canada we have never organized that type of research organization. I know Dr. Mackenzie years ago was trying to do that. He thought that would be a very great help in this country.

MR. GUSHUE: Do you get any help from the national organizations such as the National Research Council?

DR. JANE: Yes, we all do if we wish to take it.

MR. GUSHUE: You are a member of the National Research Council?

DR. JANE: Yes.

MR. GRAUER: On page 4, Dr. Jane, when you are speaking about industrial chemicals you say:

"This number would be very much greater if the Canadian manufacturer was not required to share his already small market ---"

How much of a potential, roughly speaking, is there,

say, in relation to the present development?

DR. JANE: There are a number of products which, if we could take the whole Canadian market, we would be justified in building a plant. Take, if you like, as an example, petrobobobenzine, that is a product that goes into detergents. Canadian Industries Limited have decided to go ahead and build a plant. For years several companies had that in mind but they felt that unless they could have the whole Canadian market that they were not justified in proceeding. They knew that the large companies in the United States who were producing this material and who were now supplying the Canadian market would make a strenuous effort to continue and the best we could hope to get out of it was 50 percent of the Canadian market which was not sufficient to justify a unit.

MR. GRAUER: In terms of dollar value there is a substantial field there, isn't there?

DR. JANE: Oh, there is. I think --- in that one particular commodity there is \$20 million a year market, which is considerable.

MR. GRAUER: The only other point I had in mind was when you spoke about research at page 13, you said:

"It is almost imperative that some measures be taken to correct this situation."

Although I rather gathered that you think the whole question of research in the chemical industry is associated with secondary industry?

DR. JANE: Yes.

MR. GRAUER: What I wanted to ask you is if it is imperative that some measures be taken, just what measures do you have in mind?

DR. JANE: Well, I was thinking more of long term adjustment in tariffs to build up, to strengthen our secondary industry, encourage it really. These are things that you won't do in a week. They might take ten or 20 years but I think we should start now to think in that direction of expanding and strengthening our secondary industry.

MR. GRAUER: Thank you.

MR. STEWART: Dr. Jane, on page 7 where you refer to the adoption of selected tariffs for a relatively few products I think probably you have illustrated with one case but beyond that was it the group of organic synthetics that Mr. Smith was talking about, was that the product referred to?

DR. JANE: There are some in that field. If there is a sufficient market in Canada to justify or that will support an economic unit then I think that we ought to have some tariff protection to get started with that product. There are a limited number of them but we have got to make a start, I think. More will come as we adopt and get this policy underway.

MR. STEWART: I don't think Mr. Lank would mind me asking if you felt that simply attaching the equivalent United States tariffs on your Canadian tariff structure would be an intelligent policy. He is not here so I can take a chance on asking this.

DR. JANE: Well, an advantage of it is

that when you went to Washington to bargain you would be bargaining from strength rather than weakness. Now when we go to Washington we have no tariffs and we are in a different position.

MR. STEWART: Well, on that point Dr. Donald thought we were in a rather strong position by reason of our raw materials.

DR. JANE: Yes, I know J.R.'s feeling on that.

MR. STEWART: You don't share it?

DR. JANE: Oh, yes, at least if we are talking of the same thing I think Mr. Donald is thinking of devising some scheme whereby any secondary material made from our raw materials we would then be able to export that secondary material made from our raw materials.

THE CHAIRMAN: You would be all for that?

DR. JANE: As far as the whole country is concerned, free trade would be wonderful but you can only have free trade between two countries that have the same standard of living according to me and I don't see how you could do it in any other way.

THE CHAIRMAN: Thank you very much, Dr. Jane.

--- Recess

--- After Recess

THE CHAIRMAN: Well, shall we come to order, gentlemen? Mr. Frosst, it is very nice for us to have you with us this afternoon and we are grateful to you for coming and for being willing to

make a statement to us. You have supplied us with copies and we will mark your submission Exhibit 206.

If you would like to go ahead.

MR. FROSST: Mr. Chairman, after listening to these gentlemen who have just gone before I feel I can really sit back and say ditto.

THE CHAIRMAN: Some of them have been doing that to each other.

MR. FROSST: Before presenting to you a very short paper dealing with the Canadian pharmaceutical industry, I would like to thank you for the invitation to appear here today. The important work that you are doing is of interest to all Canadians and it is to be hoped that the results of your exhaustive -- I presume they are very exhaustive -- inquiries will provide a guidepost to our future.

In presenting this brief on the pharmaceutical industry I should mention that the views are my own and that I am not appearing on behalf of any association.

The view that "Canada's economic progress during the next 20 or 30 years will depend in large measure upon our development and diversity of what are commonly known as our Secondary Manufacturing Industries" has been very ably expressed to you in the excellent brief submitted by Mr. M. W. Mackenzie.

The pharmaceutical manufacturing industry in Canada performs all its functions in a way and to an extent that fully justifies its existence-- as a provider of jobs, as a taxpayer, as a responsible factor in the

local and national community, in financing and conducting research, in co-operating with Government. Specifically it acts as an essential support to the medical profession while at the same time being an indispensable part of the profession of pharmacy. It has continued to live up to its responsible role in the treatment of human illness and has proved its ability to meet a national emergency.

Alongside of other industries it is not large, in fact it is small, and precise statistics are not available. It is included in the statistical report published annually by the Dominion Bureau of Statistics entitled: "The Medicinal and Pharmaceutical Preparations Industry".

To get a true picture of the pharmaceutical industry one should exclude from these figures the sale of proprietary medicines, soap, packaged goods, fountain supplies, as well as some bulk vitamins and bulk pharmaceutical chemicals which have been included in the above-mentioned statistics.

A brief summary of the Dominion Bureau of Statistics' figures from the years 1920 to 1954 is attached, and an estimate of the pharmaceuticals included in this group has been made.

By way of explanation, human medicinal products should be divided into two product groups: (a) pharmaceutical; and (b) proprietary medicines. In pharmaceuticals the ingredients of each preparation are shown on the label of the package so that the physician knows what he is prescribing and the

pharmacist knows what he is dispensing; whereas proprietary medicines (sometimes referred to as patent medicines) are sold without all ingredients being declared.

Growth of the Industry

In 1920 in the human medicine field in Canada there were 100 manufacturers, and in 1954 there were 216. Of these 216 manufacturers, 101 did 96 percent of the business, and 26 of them did 67 percent. From this it will be seen that there are a great many very small manufacturers in the industry. The total business in human medicine grew from 15 million in 1920 to 35 million in 1941 and to 97 million in 1954. The pharmaceutical business more than trebled in volume from 1920 to 1941 and had increased three and one-half times from 1941 to 1954.

The greater portion of the pharmaceutical business has been done by firms represented in the group of 26 previously referred to, and in this group there are relatively few Canadian-owned companies.

Since 1941 most of the larger United States pharmaceutical houses, who were not then represented in Canada, have become established here. Some, like their predecessors, have established manufacturing facilities but a great many others have merely opened warehouses and packaging facilities. The products they sell are imported from their U.S. principals. This is a natural development in a free economy, but a similar expansion for Canadian-owned organizations is not possible. Canadian pharmaceutical

manufacturers have grown and will continue to grow but, as is clearly shown by export and import figures, they have not grown in the export field.

Exports and Imports

In 1920, in the human medicine field, Canada imported three times as much as she exported. Though exports had grown in 1941 by approximately 80 percent and then reached an all-time high in 1945 of \$5,739,000, they have actually declined slightly since that time; whereas imports have continued to grow from \$3,007,000 to \$24,981,000 in 1954. Of this figure, \$13,578,000 was in the pharmaceutical group. The growth of imports is due to the favourable position in which the U.S. manufacturer, having established packaging facilities in Canada, finds it more advantageous to import than to manufacture pharmaceuticals in Canada.

With this as a background, we have a pharmaceutical industry in Canada with relatively few important Canadian-owned pharmaceutical houses, and the majority wholly-owned by U.S. interests. Though some of these U.S. houses have established laboratories in Canada, there are many who import pharmaceutical products in bulk and repackage them.

The Canadian manufacturer who would like to expand his business, and who naturally would look to the United States as a large potential market, cannot do so. He cannot enter the U.S. market the same way as his U.S. competitor enters the Canadian market, that is by exporting in bulk and repackaging

in the United States.

The Canadian manufacturer is faced with the following three disadvantages:

(1) Adverse duty rate. The Canadian tariff on U.S. pharmaceuticals is 20 percent. The U.S. general tariff on pharmaceuticals is 25 percent, but there is a prohibitive paragraph in their tariff known as Paragraph 28, and under this classification the duty rate is 45 percent ad valorem and 7 cents per pound. This covers all pharmaceutical products which may be classed as coal tar products or derivatives thereof. When one realizes the important part played by intermediates that are derivatives of coal tar in the manufacture of pharmaceutical chemicals, it will be seen that many pharmaceuticals would come under this classification, and under this classification importation into the United States as you will readily see is prohibitive. Thus the Canadian manufacturer, in entering the United States market, would first have to set up manufacturing facilities.

(2) Valuation for Duty When the U.S. manufacturer imports into Canada it is possible to import in bulk at a valuation which he can substantiate as being used in the United States. The Canadian manufacturer may not use a bulk value but is required by U.S. Customs Regulations to price his shipment not at the value which would take into account the quantity and package which is shipped, but at the selling price in Canada of the package he most commonly sells of this item shipped.

(3) Definition of a manufacturer for

Sales Tax purposes.

On pharmaceuticals sold in Canada there is a sales tax of 10 percent on the selling price to the wholesaler. Where manufactured goods are imported and are only repackaged, the 10 percent sales tax is collected on the duty-paid value. In other words, the foreign manufacturer, having established a packaging plant in Canada, may import his products in bulk and pay the sales tax on the duty-paid value. He also has the advantage over the Canadian manufacturer of paying the sales tax on the bulk value which, in many instances, is equivalent to the Canadian manufacturer's cost before anything is added for packaging, distribution and promotion. This is a discrimination against the Canadian manufacturer, as well as a loss of sales tax revenue.

Conclusion

The Canadian pharmaceutical industry is an expanding industry but it is growing at the expense of the Canadian economy through the particularly favourable conditions afforded the manufacturers in the United States to enter the Canadian market; whereas the Canadian manufacturer who may wish to enter the U.S. market is not able to do so on the same terms and conditions. This situation could be corrected by (a) trade agreement that would allow Canadian pharmaceuticals access to the U.S. market on the same basis as U.S. pharmaceuticals are given access to the Canadian market; and (b) removing the existing inequity through which an importer, who packages bulk goods, has an advantage over the Canadian manufacturer in respect

of the application of sales tax.

It is a very short submission but these conditions exist. As a Canadian manufacturer we have endeavoured to export and have failed to be able to do so reasonably.

THE CHAIRMAN: Thank you very much,
Mr. Frosst.

MR. GUSHUE: Mr. Frosst, I wonder if you could clarify for me one reference on page 3 in which you say:

"The total business in human medicine grew from 15 million in 1920 to 35 million in 1941 and to 97 million in 1954. The pharmaceutical business more than trebled its volume from 1920 to 1941 and had increased three and one-half times from 1941 to 1954."

That is the Canadian production, is it?

MR. FROSST: Canadian production, yes, sir.

MR. GUSHUE: I was not clear.

MR. FROSST: I tried to break them down on the attached sheet.

MR. GUSHUE: Total business, I didn't know whether you meant imports and so on. That is the Canadian production?

MR. FROSST: Canadian production, yes.

THE CHAIRMAN: Well, Mr. Frost, as you stated at the beginning, this subject has been covered pretty thoroughly and we have asked the same questions several times and we won't burden you with asking you

the same questions again. I do think that this has been very helpful particularly the recitation here of the three things that make it difficult if not impossible for you to ship into the United States.

The third point on the sales tax which perhaps you had an opportunity to present to another committee recently ---

MR. FROSST: We did. I appeared before the Committee. Sometimes things don't happen.

THE CHAIRMAN: Well, Mr. Dupuis was here the other day and I don't know when his report will be issued but I presume it will be issued in due time and maybe they will have fixed this up for you.

MR. FROSST: Maybe they will.

THE CHAIRMAN: We are grateful to you. Thank you very much indeed. It is nice of you to come and we are pleased to meet your brother also and I was pleased to meet my old associate Jim Bland. If you are getting tired of him we will be glad to have him back.

MR. FROSST: We are not tired of him.

THE CHAIRMAN: Well, we will adjourn until tomorrow morning.

(At 3.55 P.M. the Commission adjourned until 10.00 A.M. Friday, 24th February, 1956)

ROYAL COMMISSION

ON

CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

MONTREAL, P.Q.

FEBRUARY 24, 1956

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MONTREAL, Quebec,
Friday, 24 February, 1956.

APPEARANCES:

Mr. F. R. Deakins, President,
R.C.A. Victor Company Ltd.,
Mr. F. W. Radcliffe.

Col. R. D. Harkness, President,
Northern Electric Company Limited.

Mr. E. R. Patrick, President,
Canadian Aviation Electronics Ltd.

Mr. S. M. Finlayson, President,
Canadian Marconi Company,
President, Montreal Board of Trade.

THE CHAIRMAN: Well, shall we come to order. Mr. Deakins, we will mark your submission as Exhibit 207 and I think if you just start in and proceed, we are all ready to go.

MR. DEAKINS: Thank you, sir.

Mr. Chairman and Members, it is an opportunity which I thank you for to be able to appear here before you on behalf of our company. I want to say at the start that our industry has already submitted a very voluminous brief and I think have covered a great many questions in which you are interested and I am going to confine myself therefore to the questions that you asked me to try to answer or discuss some weeks ago.

The first one of those questions had to do with the comparison of production costs in the United States, United Kingdom and Canada.

From a manufacturing standpoint the electronics industry might be divided into two main divisions, the making of consumer products and the

manufacturing of products sold to government, the armed forces and to industry.

We will first deal with the consumer products which are principally radio, electrically operated and amplified phonographs and television receivers. We find that production costs of our radio and TV receivers in Canada are slightly higher than for U.S. produced models of comparable performance. Present indications show basic cost to be 5 to 10 percent higher in Canada than in the U.S.A.

Comparison of radio and TV receiver production costs in Canada with those in the United Kingdom are difficult for us to supply information on. We do not make models in Canada which are comparable to those produced in the United Kingdom. Such information as we have indicates that production costs on these are somewhat lower in Canada than in the United Kingdom due mainly to the more extensive tooling and lower labour content here.

COMPARISON OF PRODUCTION COSTS TECHNICAL PRODUCTS

Dealing next with production costs on defence, commercial and industrial electronics products - this covers mainly the electronic defence products supplied to the armed forces, electronic equipment for industry, such as microwave and radio relay communication systems, - broadcasting and telecasting transmitters and studio equipment -- mobile communication equipment, sound equipment, etc. Comparison of production costs of this type of equipment with the U.S.A. is difficult, chiefly due to the

significant differences in quantities produced and in the specifications required. These products are, in the majority of cases, made to order to the customer's specification. Presupposing that quantity and quality standards are equal, it is our opinion that Canadian production costs on these products compare favourably with those in the U.S.A.

Comparison of production costs of this type of product between Canada and the United Kingdom are not possible on any reliable basis, due to the non-existence of pertinent data. To the best of our knowledge we do not produce in Canada products of this type comparable to any such products produced by our associated company in the United Kingdom. It is our opinion that, in general, selling prices of this type of equipment made in the United Kingdom are substantially less than of those made in Canada. This would indicate lower production costs in that country. We believe their engineering and skilled labour costs are below those prevailing in this country. It is also known that labour costs in the United Kingdom represent a greater percent of total manufacturing costs than they do here. The lower selling prices referred to are, of course, substantially influenced by duty free entry and the depreciated pound. All these factors, we believe, contribute to this comparison being unfavourable to Canada.

LIKELIHOOD OF CHANGE IN FUTURE

Dealing with your question as to whether relative production costs in Canada and the U.S.A. are

likely to change in the future, the following is our opinion.

On our consumer electronic products we believe that until our market grows sufficiently to justify production runs comparable to those in the U.S.A. the presently somewhat higher Canadian production costs will prevail. Comparing Canadian production costs with those in the United Kingdom it can be expected that with improved manufacturing methods in Britain their costs will gradually come closer to ours.

On defence and commercial products it is our opinion that relative production costs in Canada and the U.S.A. are not likely to change to any great degree in the foreseeable future. Comparing production costs on this type of product between Canada and the United Kingdom gives rise to the opinion that the coming closer together of the two depends largely on whether or not labour rates increase in the United Kingdom and the pound appreciates. It is reasonable to expect that both will happen during the period under review by your Commission.

WHAT FACTORS HAVE BROUGHT ABOUT THE SPECTACULAR GROWTH OF THE ELECTRONIC INDUSTRY?

Electronics has provided Canadians with a succession of new and useful home entertainment devices in the radio receiver, the electronically amplified record reproducer and the television receiver. These have made major contributions to the enjoyment of living and the cultural growth of

millions of Canadian families, providing entertainment, information, education and communications of a type unthought of at the close of World War I. These products have created new employment for many thousands of Canadians and have made use of substantial quantities of materials as produced by Canada's basic industries. Canadians have very quickly recognized the great benefits to their families through the ownership of these devices. This has resulted in the spectacular growth of the electronic industry. In a matter of less than three decades radio receivers to the number of 6,200,000 are now in the possession of some 3,900,000 householders. In a reasonably short time there will be an average of at least two per household right across Canada. In less than four years of Canadian telecasting there are as of January 1st, 1,770,000 television receivers in the 3 million wired households within range of television transmitters, or 58 percent penetration.

In the commercial, industrial and defence fields, electronics has made major contributions. Developing somewhat later, than in the consumer products field, this equipment has made possible new and more efficient communication systems using microwave and radio relay -- has provided more efficient and lower cost operation to many transportation facilities through aviation radio, land mobile radio, marine radio and navigational aids. In defence, radar and guided missiles are but

two of the electronic developments that have almost revolutionized military tactics. It is not surprising that Canadian military and government authorities, industrial and commercial concerns, have readily accepted these applications of electronics as providing better products and services at lower costs. No single art has contributed so much to progress in these fields in the past two decades. A spectacular industry growth has followed.

WHAT ARE THE PROSPECTS OF SIMILAR SHARP EXPANSION
IN THE YEARS AHEAD?

Perhaps we can best answer this by quoting from a statement made by Mr. Frank Folsom, President of the Radio Corporation of America, in December 1955.

"Today, for example, more than 80 percent of RCA's business is being done in products that did not even exist commercially ten years ago. And in another ten years, regardless of the size of the industry, I believe that a comparable percentage of the volume will be done in products that are not now on the market."

We believe this statement is equally true as applied to Canada. A very appreciable expansion will surely take place in the next two to three decades. Some of the developments as predicted by a responsible authority and which may be expected under this heading are as follows:

Electronic light, based on the light

amplifier, which will bring flat screen television with a bigger sharper picture on screens placed anywhere in a building. It will make, not only photography but, vision possible in darkness. It may well cancel out one of the perils of night driving by taking the glare out of light.

All-electronic air conditioners and refrigerators are presently in the laboratory stages, and will probably be in commercial use within a few years.

Guided missiles will probably emerge from the weapon stage into vital civilian uses, transporting mail and freight over great distance all under electronic control. Medical science can look to valuable aid from the extended use of the electron microscope. Colour television will make available new techniques for learning faster and better in the field of education.

Electronic data processing machines will not only compute and remember information but will perform more and more routine tasks now handled by people. Production will lean more heavily on electronics in the years ahead. A presentation of the part played by electronics in automation could not be adequately made in the time at our disposal this morning.

We have only given a few examples of what is envisioned for the electronic industry in the future and are offered as a basis for confidence that the spectacular growth of the industry in the last

decade will continue in the next two or three.

The question is asked as to the past and prospective role of government contracts in creating markets for our industry.

Government contracts have helped very materially in expanding the electronics industry, especially since World War II. They have contributed very importantly to the growth of the industry as regards both scope and capacity and have indirectly played an important role in creating new commercial markets. Radar, while still largely confined to military and government use, is beginning to find fields of substantial application commercially.

However, the government has in itself provided a substantial market for the industry as proven by responsible forecasts of defence spending for electronics running at an estimated rate of \$110 million per year for some years to come. The future value of government contracts will probably lie in continuing to provide a substantial base of development work and contracts which has helped our industry to get well established.

Perhaps the government's most important role in the future, in addition to its contracts for actual work, lies in actively encouraging and assisting our industry in making possible greater pure and applied research facilities to develop now the products and services required for sale in the future.

PROBABLE GROWTH OF CIVILIAN MARKETS

We ordinarily in our own company make

forecasts for ten years and of course it cannot be reliable but we attempt to do that. Beyond that we have not attempted to produce any statistics.

But it is my own personal opinion that the grand total of sales revenue of the electronics industry in Canada will reach a billion and a quarter dollars by 1965, with the civilian portion of it exceeding one billion dollars.

MR. GRAUER: What are the present figures now?

MR. DEAKINS: The civilian is probably \$300 million to \$400 million.

HOW HAS THE ELECTRONIC INDUSTRY STIMULATED RESEARCH?

In answering the question as to how the electronic industry has stimulated research and encouraged the training of skilled personnel in Canada and the industry problems in this field, we feel this is adequately covered in the industry brief, but I would like to take the opportunity here to relate an experience of our own company in that regard. In October 1955 we established a pure research department and we brought prominent scientists from Great Britain, Europe and Canada and a staff of Canadian physicists. We believe this group will make a two-fold contribution to Canadian industry and scientific development. They will increase scientific knowledge in these two chosen fields and make this knowledge available first in Canada. We also hope that by opening up new areas of opportunity for science graduates of Canadian universities it will keep more

of Canada's young scientists at home rather than have them seek employment in other countries.

Speaking of serious problems in our industry, the special problems are gone into in the industry's brief in which we have participated. One serious problem I would like to mention here as a problem to which we have no solution and neither has the industry found a solution, is due to the Canadian consumer's insistence on purchasing some 57 percent of his television in the last four months of each year. (Over the past 5 years Canadians have purchased 69 percent of their TV receivers in the last half of the year.) The production curve goes up sharply from August to December -- then drops off gradually until April -- with often a pronounced dip in the months of May, June and into July. To meet this seasonal demand many of the hourly workers employed on production of television receivers in the fall months cannot be kept in employment in the spring and early summer. When laid off a substantial number find other work and when the heavy demand commences again in the late summer a new group must be hired and trained.

This situation adds substantially to our production costs in extra hiring and training expense -- in slower build up of production rates -- in abnormally high supervisor and inspection costs. There is also the added expense of unabsorbed overhead created in the spring months where the necessary supervisory staff must be retained out of proportion to the actual production worker group. In addition our

service warranty costs are increased by this condition.

In radio receiver production the problem has been partially solved by the introduction of portable radios and automobile radios, the latter becoming a very substantial part of total radio production. These two types are not restricted as much to the traditional fall and winter home entertainment use as are the home type receivers.

Neither our industry nor our company has found any solution to this problem as it relates to television receiver production.

We believe if we can ever find a solution to this problem that we can reduce costs and give a better flow of product to the consumer.

Our industry could reduce production costs and thus prices to the consumer -- could produce better overall quality and a more service free product if some way could be found to persuade the customer to buy television receivers more evenly spread out over the twelve months of the production year. Any solution of this would also make a worthwhile contribution to the relief of overall seasonal unemployment in industry.

On the question of automation I said before that we do not deal with that subject because it is a broad one and would take many hours and I would not be capable of covering it but I would like to show you here a couple of props that just illustrate, I think, in a primary way, what automation can do.

Here is a radio set of a few years ago

on what we call a metal chassis. This is punched out of steel and then this element is put on it (indicating). Each one of those connections has to be soldered by hand to get the proper connection and so forth. Now, you will notice mention in the brief before a reference to a printed circuit and instead of having a metal base you have a bakelite base or some compound, and on the back side of it through a printing process, you print all the wires on it and then having done that, this board then lends itself to automatic soldering and to any extent you want to go with automation, but I only illustrate this as a primer start in automation.

Also in the brief there is a great deal of discussion about transistors. All companies are working on transistors and here are some Canadian made ones (demonstrating). They are good, so if you want to make a radio set, there they are.

MR. GUSHUE: What else do you do with them.

THE CHAIRMAN: I don't think we will go into competition with R.C.A. Victor on that.

MR. DEAKINS: A transistor can be used on a good many applications to take the place of these tubes. That is the difference in size and this will illustrate in a small way, application of transistors to a radio set.

MR. GUSHUE: Could that be opened so that we could see it?

MR. DEAKINS: Yes, sir. (Does so).

MR. GUSHUE: How long do these last?

MR. DEAKINS: Transistors themselves are quite long-lived. You will be amazed in the next five years the application.

MR. STEWART: This printing on here must save a lot of man-hours?

MR. DEAKINS: Yes, it does contribute to the gradual reduction of costs and development.

THE CHAIRMAN: It is very interesting.

MR. DEAKINS: Mr. Chairman, that concludes my presentation.

THE CHAIRMAN: Well, Mr. Deakins, that was a most interesting presentation and we are very grateful to you indeed. One of the things that impressed me as much as anything was that your costs in this country are within 5 to 10 percent range of the corresponding costs in the United States. I don't think any other manufacturer who has come before us has suggested that his industry or his company were as close as that.

MR. DEAKINS: Well, Mr. Chairman, I am speaking there of basic manufacturing costs. The minute we start to put taxes and transportation and things of that kind on, then the gap widens, of course.

THE CHAIRMAN: You mean the cost of a large volume of television sets at the factory door, I presume?

MR. DEAKINS: Yes, sir.

THE CHAIRMAN: I think we were probably all of us most interested to hear what you had to say about your plans for research in this country which is

something that is being talked about a lot and that is concerning people here, apparently, because of the problem of the cost of training scientists and engineers if they do not stay in this country. I wanted to ask you on the merchandising side, you said that 57 percent of the television sets produced or sold in Canada are sold in the last four months. How does that pattern compare with the experience in the United States or Britain?

MR. DEAKINS: Well, without having referred to a specific report, Mr. Chairman, I can only guess, but I think that it follows fairly closely.

MR. GUSHUE: Would it have anything to do with changing models as in the case of the motor car industry or is it purely because winter is coming on? Do they change models in the fall?

MR. DEAKINS: At the present time models are usually changed in Canada in July or August. One of the cut-off places is the Toronto Exhibition. Everybody usually has their line ready at that time and on display. No, I think the reason for it is because of the climatic atmosphere and when the weather gets a little bit good, everybody gets out. They have been in all winter and they get out and they do not have home entertainment. They take their children out and go away in the summer and they are thinking about other things and they are probably spending their money on holidays and that sort of thing and they just don't buy.

MR. GUSHUE: There is the possibility that

many people would wait for a new model if they do come out in the late summer or early fall?

MR. DEAKINS: Yes, that is true, they wait, but I would like to relate an experience that has taken place in the States this last year where there has been so much said about colour and a lot of demonstration going on and a lot of talking about colour but at the same time they sold 7,700,000 television sets in the United States last summer and they have been going a few years more than we have.

MR. GUSHUE: I just wanted to ask one other question. You suggest that the most important role for the government is to induce the encouragement of research. What would be the best way of bringing that about? Have you any ideas about that, where the government's role would be performed?

MR. DEAKINS: Well, I am not so particularly interested exactly in what form although I think there are several ways they could help, but in general I think that some of the research work they are doing, they ought to probably parcel out and let some of the private laboratories who want to equip to do it, do that work.

I think some suggestions have probably been made somewhere about maybe some tax relief. I am not particularly concerned about the method so much as real encouragement to carry out this work. Some of the things have to be carried out -- in research of that nature you are not generally after any specific commercial thing but you get a man who is capable of delving

into things and he may go into it half a dozen ways, so over that period I think he should be helped by the government on the project -- co-operation with the companies in the projects when they have been initiated.

MR. GUSHUE: It would be necessary for both government and industry to know what was being done?

MR. DEAKINS: Yes, sir.

MR. STEWART: Mr. Deakins, on this last point, all the universities, I think, are interested in the possibilities of co-operation with industry, for example, in the training of graduate students. I am asking the question in relation to your own new lab but I am really thinking more generally. Will your lab be available, will it be associated with any university in the matter of training of people or do you see that as a possibility?

MR. DEAKINS: Well, to give you a real good answer to that I would say we would have to have more experience, but presently the laboratory in Montreal first started out under a man you have probably heard of, Dr. Whitehead, who was at McGill for a number of years and, of course, he will naturally gravitate to McGill, later on working with the Defense Research in Ottawa and then I expect it would spread out to co-operation with other universities particularly after we get projects underway.

MR. STEWART: Somebody mentioned yesterday and it had not occurred to me before, that the universities

are able to purchase in the United States research equipment and they get a rebate on the duties. Somebody mentioned yesterday that industry could not do that. If you set up a research lab and you bring in specialized equipment, say, made in the United States, you don't get any tax relief on that, do you?

MR. DEAKINS: Well, I don't think you could say you don't get any tax relief because after you put the equipment in it is depreciated over a period.

MR. STEWART: No, I mean duty-wise. You pay the duty?

MR. DEAKINS: No, so far as I know we pay the duty on that equipment.

MR. STEWART: But university laboratories don't?

MR. DEAKINS: That is correct, they do have that opportunity. That is done in a great many places on a great many things. The industry here usually in dealing with a university try to take as much off to encourage the use of equipment that is manufactured in Canada in my own company.

MR. STEWART: Just for my own information you refer to the civilian uses of radar. What sort of developments are expected there?

MR. DEAKINS: Well, it is actually being used now by ships. As a result of experience in military radar which generally speaking is too high priced and high cost for commercial use, it is now being used on ships and is also being used in aircraft for mapping

and for detecting storms. A pilot now so equipped can fly into a storm area and as he approaches the storm area he can tell from his radar which is the most intensive part of the storm and he can go around it.

MR. STEWART: But the uses are the standard defence uses simply converted to civilian purposes?

MR. DEAKINS: Yes.

MR. GRAUER: You expect in relation to consumer products a higher cost here because of the difference in run. Is that because the Canadian market is divided up among a number of manufacturers or is it because the Canadian market is not big enough yet to get the efficient type factory?

MR. DEAKINS: I think it is both, sir.

As a matter of fact I am not quite exactly sure of these figures but they are relatively correct -- I think there are 21 basic manufacturers of television in Canada with probably 28 to 30 brands. I think if you relate that to the population proportionately between here and the United States you will find that there are more Canadian television manufacturers per capita in Canada than there are in the United States. That affects it and also the total number that are built because last year there were 772,000 television sets sold in Canada and in the United States there was 7,700,000. There is an interesting thing that has taken place there because that is almost on a proportionate ratio. For years, over a period of probably 20 years the ratio was on a

20 to 1 basis instead of a 10 to 1 basis.

MR. GRAUER: I suppose there is considerable difference in the size of the factories, of the 21 manufacturers in Canada or could you say the production runs would vary as between 21 manufacturers considerably?

MR. DEAKINS: Oh, I imagine so. Some of them are large and some small and some of them are equipped to go into it on a smaller basis and therefore do not have the facilities to have a larger production but by and large all of them cannot take a production line and get it tuned up and run it without changing because you always have more models than you have lines.

MR. GRAUER: This question of the seasonal swing that you mentioned, as you say, it raises costs, that characteristic of demand. Presumably the industry has looked into the savings they would get by regularizing production and have found they would not offset the increased cost because of the concentration of production at the present time. You could regularize production throughout the year but it would run you into other costs naturally and that has been so in several fields but in this field presumably the costs of warehousing or storage would more than offset the ----

MR. DEAKINS: Well, as a matter of fact we tried it too. We try to visualize that and at this season of the year, the first of January is always a very optimistic time and we are going to do a lot of that but by the time you get to the middle of June and the warehouses are full and you have millions of dollars

tied up in inventory of merchandise the public has not yet seen, and you don't know whether they are going to buy it or not, you don't feel so optimistic.

MR. GRAUER: But it is done to some extent?

MR. DEAKINS: To a certain extent, yes.

THE CHAIRMAN: Well, thank you very much, Mr. Deakins. We are very grateful to you.

Well, Colonel Harkness, we will mark your submission Exhibit 208 and if you are ready, we are all ready.

COL. HARKNESS: This short statement is intended to comment briefly on the questions raised in the Chairman's letter of November 2nd, 1955. Those questions related to the growth of the Electrical Manufacturing industry, Comparative Costs, Canada and Foreign, the matter of specialization and research and personnel. Appended to this statement is certain information relating to the history and ownership of Northern Electric Company Limited which may be of interest to the Commissioners. I might mention that the Company is Canadian controlled and employs approximately 14,000 people. As suggested in the Chairman's letter, I would like to direct my remarks to the future of the electrical manufacturing industry in Canada.

Output in the Canadian electrical manufacturing industry, measured in terms of current dollars, has increased from \$270,600,000 in 1946 to an estimated \$1,100,000,000 in 1955. Employment over the same period has increased from 44,000 to 74,000. This growth

has not been consistent throughout all segments of the industry.

The factors favourable to the spectacular growth and demand for its products during the past ten years are deferred demand following World War II; technological advances accelerated by World War II; increased population, partly due to immigration policy and higher than normal family formations; increase in standard of living coupled with increased productivity.

During part of the past ten-year period, a favourable proportion of the Canadian market was supplied by Canadian labour because the Canadian industry was capable of supplying it; post-war shortages all over the world did not make it available for export to Canada; Canadian tariffs were at pre-war levels until 1948; import controls were imposed during 1947 and 1950; the pound sterling held a higher value in relation to the Canadian dollar prior to September 1949.

Since the year 1950, the Canadian industry has lost an increasing share of the Canadian market to foreign manufacturers, which loss is calculated to have moved from 16.4 percent of the Canadian market in 1950 to 23.4 of the Canadian market in 1954.

Future development of the electrical manufacturing industry in Canada is to a large extent related to the growth of secondary manufacturing, and in turn, to the growth in Canada's population.

Of the total gainfully employed in Canada, the larger proportion is employed by secondary manufacturing and service industries together. These two

groups are the largest actual and potential employers of labour, the service industries being largely subsidiary to and dependent upon the prosperity of the secondary manufacturing industries, and, of course, the economy as a whole.

Canada's future economic growth, therefore, depends upon -

- (a) - an adequate immigration policy.
- (b) - secondary manufacturing prospering along with primary production.

The continuing growth of the electrical manufacturing industry depends largely upon three factors -

- (1) the growth in population.
- (2) advancement in technology.
- (3) an expanding domestic market for Canadian manufacturers.

Advances in technology will increase the market for the industry. Increases in population will also increase the market. However, in order to take full advantage of the improvements in technology, the larger market created by an increased population will be necessary.

With increasing population and advancement in technology, it is our expectation that the demand in Canada for the products of the electrical manufacturing industry will continue to expand at a rate only slightly less than it has during the past ten years. With this expansion, capital will be required on a large scale and at a continually expanding rate. Moreover, it is not

nearly so clear as to what extent Canadian industry and Canadian labour will participate in this expanding domestic market.

In other words, it is possible that a diminishing share of the total Canadian demand for electrical products will be made in Canada and that more will be imported at the expense of employment in Canada for the following reason:

If Government trade policy continues to make it easier and even necessary for Canada to import increasing quantities of manufactured goods which are already made in Canada, in return for the primary products which Canada exports, then less will be produced in Canada and the net result will be an adverse effect upon employment in Canada.

If, through the effects of international unionism, wage levels in Canada are brought to parity with those in the United States without commensurate increases in productivity, then we, in Canada become less able to compete not only with the United States, but with manufactured products from all other countries, and more will be imported.

It is our conclusion with respect to Government trade policy that if Canada is to sustain the growth of population, which is generally foreseen as a desirable possibility, there should be a better balance between primary production and secondary manufacturing in this country. Government trade policy should be designed to give encouragement to secondary manufacturing which is a greater actual and potential

employers of labour per dollar of capital invested.

Concerning comparative costs of production in the United States and the United Kingdom, we do not have access to any precise information on the costs of our competitors in those two countries. From studies which have been made and published, we note that the average hourly earnings in the electrical manufacturing industry in the United Kingdom is less than half of the earnings in Canada. This obviously gives the United Kingdom manufacturer a competitive advantage, which advantage becomes greater as the wage or labour content of the product increases.

With respect to the United States, the market in that country, being more than 15 times as great as that in Canada, provides opportunities for building optimum-sized production units and reducing costs of production. It well may be since the electrical manufacturing industry is in transition that certain products will be produced in Canada by optimum-sized plants, but the nature of our market is likely to limit this development in the foreseeable future.

Prices quoted in Canada by these competitors from both the United States and the United Kingdom reflect these differences.

Concerning specialization, further specialization in production would unquestionably enable the Canadian industry to obtain an increasing share of the domestic market and to improve its competitive position with respect to foreign suppliers.

However, with the number of competing electrical manufacturers in Canada and the relatively small market existing in Canada, such specialization on an industry-wide basis could only be brought about by one or more of the larger companies deliberately driving a number of smaller competitors out of business, or by agreement or arrangement between those now in the business.

The word "research" has been applied to a great variety of endeavours. The electrical manufacturing industry in Canada has done a great deal in the field of developing products, the use of new materials and new methods of manufacture in the interests of lower costs. This work should and will continue to expand in the future.

No company, industry or country has ever had, or ever will have, a monopoly of scientific knowledge. In order to keep pace with competition, it is necessary that we in Canada obtain all the scientific information that is available anywhere in the world and in order to make use of this knowledge it is necessary for the Canadian electrical manufacturing industry to do some research and development in the application of this knowledge to their own production.

In order to do this, we need technically-trained personnel. During the past ten years, the proportion of engineers employed by the Company has doubled in relation to the total number of employees. And that condition, Mr. Chairman, is not unique in our company. I am using our company because we know about

it but the same condition applies, I think, throughout the entire industry. We have increased our facilities for training and developing employees who are already employed in semi-technical assignments. Closer scrutiny of such personnel as candidates for engineering positions has facilitated a more rapid development of potentially qualified people.

We are taking all possible steps to ensure that we are making the best possible use of the technically and semi-technically trained personnel which we now have. In spite of this, we have a very serious deficiency of both engineers and technical school graduates.

It would be wrong to state that an increase in the number of engineers alone would solve all the problems of Canada's future. It is as essential that our educational facilities should have a reasonable balance between those devoted to engineering and to other subjects, as it is to have a reasonable balance between our basic and secondary industry. It may be that a reasonable balance today would indicate a larger endeavour in engineering subjects, but again it would be wrong to attempt, in the interest of numbers, to put square pegs in round holes. The Headmaster of a Scottish School recently made this comment in speaking of education:

"Any nation is a slovenly guardian of its own interests if it does not do all it can to make the individual citizen discover his own powers; and further, the individual

"becomes a cripple from his own point of view if he is not qualified by education to serve the community."

There has been a great deal of publicity given to Canada's resources. One of our greatest, which is publicized much less than it might be, is our Youth. Automation may be a good thing for industry, but its educational equivalent should be avoided at all costs. If we can help our young people as individuals, in the words I have quoted, to discover each his own power, and, by education, qualify them to serve our nation, the economic future of Canada will be very bright indeed.

THE CHAIRMAN: Thank you very much, Colonel Harkness.

MR. GRAUER: On page 1, Colonel Harkness, where you review the facts accounting for the spectacular growth during the last decade, you say some of them, notably the deferred demand following world war II have run their course and I imagine that was a very important factor. In your projection for the next ten years you expect a rate of increase only slightly less than during the last ten years. What do you see to compensate for the factors that existed in the last ten years that won't in the next ten? I think you mentioned some of them.

COL. HARKNESS: Two things I think. One is the advance in technology which is bound to create considerable demand, in other words, a lot of things will become obsolete more rapidly than they have done and the other, of course, is increased population but

I think technology has a very great deal to do with that -- new development largely.

MR. GRAUER: You would not care to look forward for 25 years, I suppose, would you? Have you got any general opinions on the longer period?

COL. HARKNESS: Yes, I think some of the technological advances we are talking about today and that we know about won't come to fruition in volume for another ten years and I would that from 10 to 15 years from now there would be a lot more as a result of the technological changes and research work that is going on right now than there will be in the next ten years. There will be further things come along within ten years to continue that.

MR. GRAUER: From that point on you expect it will be cumulative.

COL. HARKNESS: Yes, I think so.

MR. GRAUER: In the position industry finds itself in respect of competition from the United States, the United Kingdom and Europe particularly, do you imply that more tariff protection is needed?

COL. HARKNESS: Well, tariff is not an end in itself. I think it is a matter of maintaining our standard of living if you want employment at wages which we pay to protect Canadian industry against things that they themselves have no control over. That may mean higher tariffs in some places or it may mean lower but it is a tariff adjusted to the conditions over which the manufacturers in Canada have no control whatever. That does not mean to say, in my opinion at

least, that our tariffs ought to be so high that you protect everybody; that is stupid.

MR. GRAUER: There has been a worsening of the competitive position as you pointed out due to such things as depreciation of the pound. From a strict tariff point of view has the industry worsened during the period since the end of the war?

COL. HARKNESS: It has particularly since 1950 as far as imports from the United Kingdom are concerned when the pound sterling went off in 1948 or 1949.

MR. GRAUER: So there is some area there that would not actually increase your tariff but it would restore your position to what it was?

COL. HARKNESS: It would restore things to somewhere about the position we had because the rates have gone down and the tariffs themselves have been reduced in a great many cases under GATT.

MR. GUSHUE: What has been the general nature of the change in the United States tariffs since 1938? I think there were changes in 1938.

COL. HARKNESS: You mean in the United States tariff?

MR. GUSHUE: Yes, in duty itself -- the Canadian tariff.

COL. HARKNESS: Oh, against the United States? That has been reduced. I am trying to look for the items that might involve a considerable import. Vacuum cleaners and what-not were cut in half, refrigerators were cut from 20 percent and 10 percent to 17½ percent. Telegraphic apparatus and radio apparatus

in the United Kingdom were free. They were reduced from 25 to $22\frac{1}{2}$ percent, wireless from 25 percent to 20 percent, batteries from 25 to $22\frac{1}{2}$ percent, dynamos 25 to $22\frac{1}{2}$ percent and so on. It has been reduced from anything from $2\frac{1}{2}$ to 5 percent.

MR. GUSHUE: It looks like an average of about 3 percent?

COL. HARKNESS: Something like that. That is in the rate itself, but I think the tariff rates themselves are one thing and certainly in the import business to the United States the tariff rate has not as much to do with it as the valuation that is established by the United States customs against our commodities on which the rate is applied.

MR. GUSHUE: Is there much export from Canada to the United States?

COL. HARKNESS: Well, at the present moment about 8 percent of all production is going to the United States but that is largely because at the present time there is a shortage of those particular things in the United States. I would not consider it a continuing business by any manner of means.

MR. STEWART: Colonel Harkness, referring to your figures on the growth of the industry which has certainly been startling in the last decade and then to the increase in the proportion of sales to imports in the Canadian market since 1950, I suppose that since 1950 the growth in domestic production has still been quite substantial?

COL. HARKNESS: Yes. I have not got the

actual in-between figures but the growth in the ten years is 200 percent to 300 percent.

MR. STEWART: But since 1950 on?

COL. HARKNESS: There is still a growth but a bigger proportion of the growth has been going to import. This is demand I am talking about. A bigger proportion of that growth has gone to foreign competitors since 1950.

MR. STEWART: But hasn't our problem during that period really been the shortage of labour? If you tried to expand the electrical industry any more you would only be drawing labour away from other industries?

COL. HARKNESS: We have not had any difficulty. Labour increases each year.

MR. STEWART: Let me put it this way: Suppose we had tried to maintain the same proportion of domestic production and we had made up the difference in domestic production instead of importing. You would have had to have much more labour?

COL. HARKNESS: Employment in the electrical industry has gone down in the last year. It has not gone down radically. It was as high as 76,000 and it has gone down to 74,000 but these people are all employed somewhere else.

MR. STEWART: There is a movement in employment, yes.

COL. HARKNESS: It may be to or from the electrical industry but it could be to it as well as away from it without disturbing the economy of the country.

I think. We have never had any trouble getting labour except engineers and technically trained people.

MR. STEWART: Well, it is perhaps mainly that kind of labour I am thinking of and it does seem to me in the last few years we have had a general shortage of it and so everybody is competing for a limited number of people. For example, when you refer to the increase in wage rates basically it is a shortage of labour?

COL. HARKNESS: Well, theoretically.

MR. STEWART: Somebody told us the other day in Toronto that they had lost 40 engineers in one day in the aircraft industry to the United States. This is competitive. We are short of labour.

COL. HARKNESS: Of that particular specialized labour, but the labour that is required in the plant, there is no particular shortage of it and a lot of these figures in the percentage that the Canadian industry is getting of the demand, is the demand for existing types of production, not merely engineers. In growth there is always that, in newly engineered products and new production -- bound to be.

MR. STEWART: Looking ahead a few years, for example, we saw in this morning's paper or last night's paper the projected investment plans of people in Canada. Now, there is a limit to what we can do. It is very doubtful if we can actually implement these plans because of basic shortage and primarily a shortage of labour.

COL. HARKNESS: Well, when you talk about capital investment, the relationship between capital

investment and employment is not constant by any manner of means. As we know and as I have mentioned here we have done a lot in the way of new methods of manufacture, most of them in the interests of reducing cost and the only way you can reduce cost is to reduce the labour content of the cost which meant in some cases spending a great deal on capital equipment in order to do that.

MR. STEWART: You would not agree then that if we tried to squeeze our domestic resources too far in trying to do everything internally it might lead to inflation?

COL. HARKNESS: There will always be imports. I am sure of that. It is just a case of whether we should do 75 percent of the total demand or whether we should do more. I think we should do more than 75 percent of total demand, but I certainly would not say we ought to do 100 percent.

MR. STEWART: The proportion might vary from time to time depending upon the pressures in our own resources?

COL. HARKNESS: That is right but certainly there has been no shortage of labour as such available for the work.

THE CHAIRMAN: Colonel Harkness, we heard when we were in Toronto from some of the members of your industry and also from Mr. Deakins and you refer to the number of people in your industry and on page 5 in discussing specialization, you say:

"However, with the number of competing

"electrical manufacturers in Canada and the relatively small market existing in Canada, such specialization on an industry-wide basis could only be brought about by one or more of the larger companies deliberately driving a number of smaller competitors out of business, or by agreement or arrangement between those now in the business."

This last suggestion I will leave out because it seems to be a somewhat touchy subject.

COL. HARKNESS: The first one is too, Mr. Chairman.

THE CHAIRMAN: The first one may be but it does not seem to me that that is a complete answer. If there are too many companies in an industry for the industry to produce economically in terms of the cost of the product in other industries at other times actually the stronger people have driven the smaller ones out of business or they have bought them up. Is there any move in that direction in your industry?

COL. HARKNESS: Some industries have closed their doors because they couldn't go on.

THE CHAIRMAN: Some companies in the electrical business?

COL. HARKNESS: In the electrical business. Now, presumably that is because they could not compete. The word "deliberate" could be a badly chosen word to put in there but it is a question of where "deliberately" comes in and where it just happens.

THE CHAIRMAN: Well, we have probably got cheaper motor cars because there are relatively fewer people producing them. Would there be appreciable reductions in the cost of the things that your industry produces if there were fewer companies in the field?

COL. HARKNESS: I would think so because each company that remained would have a much bigger volume.

THE CHAIRMAN: Why don't you do something about it?

COL. HARKNESS: Well, as you say, it is a touchy subject. I have been touched.

THE CHAIRMAN: Well, I can't believe that in business it is that touchy. Certainly in some other businesses people have managed to get the industry down to what might be termed managable proportions without operating monopolies or combines.

COL. HARKNESS: Well, I think it is just a case of competition working itself out. How long that would take I don't know but that would be the only solution, I think.

THE CHAIRMAN: What I am really searching for, is that one of the sources of some of the difficulties your industry has been talking about? If there were fewer companies in the field would you be in a better position to compete against imports?

COL. HARKNESS: I think so, yes.

THE CHAIRMAN: Well, what are the obstacles in the way of bringing that condition about then?

COL. HARKNESS: Well, I am afraid I have

not any solution to that other than the question of straight competition which is a long term business. There are probably as many new people coming into the business today as people who are going out because of failure.

THE CHAIRMAN: That is what I wanted to get at. It is an easy industry to get into, is it?

COL. HARKNESS: It is a perfectly free and open country and industry.

THE CHAIRMAN: Like the boot and shoe industry?

COL. HARKNESS: Anybody can come in and they do.

THE CHAIRMAN: They don't need much capital?

COL. HARKNESS: In a great many of the smaller plants which are more, I think, largely assembly plants, no, they don't need a great deal of capital. If you get into the more highly technical and complex things, yes, you need a lot of capital.

MR. GRAUER: With some types of products there is the geographical feature also, isn't there?

COL. HARKNESS: That is quite true.

MR. GRAUER: You have new firms coming in who can compete in a given locality on certain types of electrical products?

COL. HARKNESS: Yes, that is quite true.

The Pacific Coast is a good example of that because the freight rates from the United Kingdom to the Pacific Coast, for instance are away below the freight rates from

here to the Pacific Coast, for one thing and for that particular market, yes, there is an advantage, a geographical advantage in having a small plant there provided the market for that particular thing in that particular locality is good.

MR. GRAUER: So you can't get the advantage of large scale production that you would think by just looking at the population?

COL. HARKNESS: No, that is quite true.

THE CHAIRMAN: You were good enough to include an appendix dealing with the position of your own company, Colonel Harkness, and you referred to the fact that 56 percent of its stock is owned by the Bell Telephone whose stock in turn is 91 percent owned in Canada. That was a surprise to me. Does that mean that 91 percent is actually held in this country?

COL. HARKNESS: That is the stock, not the stockholders. I think the stockholders are something like 98 percent.

THE CHAIRMAN: But the stock itself is 91 percent held in Canada?

COL. HARKNESS: There is 125,000 shareholders, I think, or more than that -- 130,000 by this time.

THE CHAIRMAN: In your own company's business -- I don't want to get down to exact proportions -- but is a very substantial part of your business made up of the work which you do for the Bell or is it mostly private work?

COL. HARKNESS: About 35 to 40 percent.

The balance is general business outside.

THE CHAIRMAN: Do you expect a tremendous increase in the communications business generally? Would that be the part of your business that would expand the greatest over the period we are looking at or would it remain more or less the same?

COL. HARKNESS: No, that relationship has been just about the same for the last 25 years. It has followed an average line. It has probably been about 50 percent until the war and as low as 4 percent but the average over the 25 year period has been about one-third so judging from the past development of our business outside, that parallels very closely the increases in the business from that source.

THE CHAIRMAN: Do you in your company have arrangements with or have you got associates in the United States or the United Kingdom? Are there places where you get the benefit of research in other countries or do you enjoy an exchange of patents and that sort of thing? The reason I am asking that is that there has been a fair amount said on this subject. It seems to me one of the great advantages which a number of Canadian companies have is that they have access to the research facilities and the patents of much larger concerns in the United States and in the United Kingdom?

COL. HARKNESS: Well, we have 60 licensing agreements under which we operate in Canada with 60 different companies all over the world. The

biggest one in our communications business, of course, is with the Western Electric Company in the United States through which we get the developments of the Bell Telephone laboratories and so forth in our communications field which generally sets the standard for that type of equipment in the whole continent and the communications system on the continent is getting to be more and more an integrated system. The borders don't matter as far as communications is concerned. People talk along the border and across the border to a great extent.

THE CHAIRMAN: Well, thank you very much indeed. We usually take ten minutes off at this point to take advantage of the five cents a cup at which coffee is sold down the hall here with a big biscuit.

--- Recess

--- After recess

THE CHAIRMAN: Well, shall we come to order? Mr. Patrick, we will mark your submission Exhibit 209.

MR. PATRICK: Thank you very much, Mr. Gordon. First, I wish to express the appreciation of the company and myself for this opportunity to present our views on the impact of electronics on Canada's present and future economy. If there is any degree of alarm amongst the Commission, I should hasten to say that I have a very much abbreviated form of the brief to present here today.

The views that are expressed reflect to a considerable degree our company's experience during the nine years of its existence. The submission is in

three parts and includes an effort to define the fundamental nature of electronics, a reply to Mr. Gordon's questions and a series of recommendations.

The most significant aspect of electronics is in the inherent central position it holds in the function of exercising control. By controlling the flow of the electron streams, not only is it possible and distinctly economical to displace other competing means of control over mechanical motions and processes, but because of the extreme high speeds and displacement rates with which the flow of electron streams can be governed, electronic control devices can be applied over other electric and electronic devices having the same order of ultra-high speed characteristics and for the control of which there is no other competing means at all. It is from this characteristic of potential for exacting control to an almost infinite variation in fields and extent which can be contemplated from the platform of what has already been achieved, that the immensity of the future of electronics and the electronic industry can so assuredly be predicted. It also serves to explain why the term "electronic industry" has and will continue to be very difficult to define precisely in the public mind.

The main application of electronics to date has been in the field of communications, the transmitting of thought and data of many forms in many ways. The main application in the future will be in the area of acquisition, storage and processing of data and information in vast and complex ways and

scales; and in control and permeated control processes extending into the very limit of every field of human endeavour and concern.

It seems certain that as developments in science proceed, the control of the electronics industry will tend to represent increasingly the control of the means exacting control.

The basis for a Canadian national interest in electronics lies in the incredibly vast potential that the development and application of electronics holds for our nation and every individual in it. These applications will directly affect our health, our wealth, our horizons and our freedoms. The possession and maintenance of a healthy, vigorous and fully modern electronics interest is nothing less than vital for exploiting our Canadian heritage to the full, and, in the long term perhaps, for retaining our Canadian economic sovereignty over it.

Canada, by virtue of its great size, the abundance and diversity of its national resources, the early state of its industrial growth and the smallness of its population, has a unique and startlingly logical cause for seeking to develop and exploit the burgeoning potentials of electronics. The means of overcoming the political, economic and cultural disadvantage of distance (while retaining the advantages) of improving efficiency and increasing vastly the per capita output of her limited population, of minimizing the hardships of season and climate on people and equipment, of enhancing her military and

social security -- are all capable of attainment through vigorous, early and broad development and application of electronics -- and only through the methods of electronics. All others are far less effective and are less able to endure external competition.

The growth of a healthy, broadly based, domestic Canadian industry, owned and operated by Canadians, attuned to Canadian interests and needs, will be difficult if not impossible to achieve, without active and enlightened stimulation and support by the Canadian government and the Canadian people.

There are thus two major basic directions touched on so far, in which the Canadian government and people can assist in the establishment and retention of a Canadian-owned electronics industry in Canada, with all the benefits to the nation that are attendant on such ownership. The first of these is the encouragement and support in wide and decisive measure of advanced scientific and professional engineering education as well as of technical education generally. The other is the support of efficient Canadian-owned components of the Canadian electronics industry to the extent that the minimum essential levels, sizes and diversifications of scientific and engineering skills may be attracted and economically retained on companies' applied research and development staffs.

The conditions of the present time are such that a period of intense scientific competition seems highly probable for a considerable distance into

the future, impelled very substantially by considerations of military security. Great scientific advances in this field have been achieved under this source of stimulus, particularly in United States. The product of these abnormally great and rapid strides in electronics, and their application to a great variety of military usages, in the first instance, is almost invariably applicable to the still wider and even more fundamental role of strengthening and establishing international leadership of the United States industry as a form of expanding United States sustaining economy. It is thus apparent that a Canadian owned electronics industry (as well as other types of industries with similar roles) faces particularly from United States industries, a form of competition which is unique, both in the extent of its basic stimulus, and in the form in which that stimulus is applied to support best both militarily and economically, the competitive capabilities of the U.S. industries. It seems scarcely possible that a Canadian owned and oriented electronics industry can survive indefinitely in the prolongation of such circumstances unless it is assisted for purposes similar to the U.S. in a similar fashion and to a comparable extent.

Mr. Gordon asked a number of questions which I will endeavour to answer. The first is to comment on the various factors which have brought about the spectacular growth of the industry in the past and the fact that there is a similar sharp expansion taking place today. We see three significant periods in the

growth pattern of the industry, the first 1927 to 1939, the second 1939 to 1952, and the third from 1953 onwards. The industry was non-existent, or practically so, in the early 1920's. Canadians became interested in radio and it followed that the increasing Canadian market for such consumer goods made it attractive for a number of foreign companies to establish sales outlets or assembly plants in Canada.

The second phase, and by far the most important in our electronics history, was the expansion of the industry during World War II. It was during this period that we first progressed beyond the point of assembling radios, to a limited degree began the development of our own designs and the manufacture of radio communication, radar and other military electronic devices. The Korean War again stimulated the specialized end of the electronics business both in terms of higher technical accomplishments and higher gross sales. This was followed closely by television which raised the level of electronic activity in Canada to unprecedented heights.

The prospect for continued expansion seems most encouraging. We can expect that the industry will expand somewhat more rapidly than the country's general economy, with abrupt rises in the event of another emergency.

The future of the industry contains impressive possibilities provided a national export policy can be developed. It is of interest to note

that in the United States during 1950, electronic expenditures (including Government) were the equivalent of \$14 per annum per capita. In the same year Canadians spent \$3.70. In 1955 the American figure is \$54 and the Canadian per year \$16. From this we might conclude that the per capita electronic purchases in Canada will probably approach the American 1955 figure within the next five years.

World War II government contracts created the base from which the current growth of the electronics industry developed. In this sense the term "electronic" is used to mean other than consumer products.

These contracts facilitated the rapid development of scientific, engineering and technical staffs; factories were built and equipped with funds obtained through capital assistance contracts. Without such Government help the present state of the electronics industry in Canada might have been delayed ten years to twenty years.

Government contracts must, for some time, be the backbone of the electronics industry, just as they are in the aviation industry. The electronics industry needs Government contracts on a continuing and planned basis. The industry and Government must become full-fledged partners in this area so vital, even fundamental to the security of Canada.

The growth of civilian markets having in mind the effect of automation and the demand for electronics equipment:

Well, the growth of the civilian market

in relation to consumer products should, during the next ten years, continue to increase marginally as far as radio and TV sets are concerned, except perhaps for sharp rises marking the introduction of such things as colour television, electronic air conditioning and other devices which dissatisfy the customer with what he presently owns. We believe, as do many in Canada, that the gross national product, and the Canadian population, will continue to increase. We believe that our industry will increase not only following the general pattern but it will also increase as to the percentage of the consumer dollar and at the end of ten years our industry will probably double its present percentage of the consumer dollar.

The effect of automation: Automation in Canadian industry will be delayed some years behind the American, British and others because of market limitations.

Automation has, to the same degree as electronics, been the cause of a great deal of confusion, but it is generally accepted that automation is not simply the mechanization of a particular series of operations. Take, for example an automatic screw machine. It is an automatic machine with the addition of certain electronic sensing devices which collect data representing the performance of the automatic equipment. These data are fed into computers and other devices so as to apply corrective action ensuring extreme continuing precision in all operations, and a final assembled and tested product which should perform

within very close tolerances. Such a concept sharply reduces the direct labour content or conversely increases the output per man hour, and also increases product standards.

It may be said that because of the tremendous possibilities for extreme precision and higher standards, automation can result in the production of devices that may otherwise be wholly impractical to produce.

Costs of production in Canada compared with those in the U.S. and the United Kingdom:

I think that our reaction is essentially the same as Mr. Deakins' and Colonel Harkness. It has been demonstrated that with equivalent volume the Canadian manufacturer can equal or better the foreign cost of practically any identical item in the field of electronics, if the effects of duty, excise and sales taxes are removed. In the practical situation, Canadian costs for most items is around 10 to 20 percent higher due to the substantially larger volume of production in the U.S.

The Canadian electronics industry can compete with American producers on low volumes of specially engineered products where engineering is a significant part of the total billing, and the Americans are not able to take advantage of their mass production techniques.

In the case of the United Kingdom, the differential is much greater. The United Kingdom prices may be 30 to 50 percent lower than Canadian

prices. A major factor is the substantially lower U.K. labour cost, presumably resulting from a lower standard of living plus government subsidy by means of the devalued pound. Government stimulation and support of research and development in industry could enable the industry to create devices which are new, perform better, weigh less, operate more quickly and last longer than existing equipment; and such improved performance could resolve the competitive question at least in terms of differences of labour costs in the U.K., and the short versus long production runs of the United States.

How the electronic industry has stimulated research and encouraged the training of skilled personnel in Canada:

Most research in Canada is carried on at the National Research Council and the Defence Research Board working closely with the universities of Canada. It would be highly desirable for the industry to integrate into a co-ordinated fundamental research programme in Canada. This would have a very good effect in that the most highly skilled and creative staff could remain closely associated with other levels of research, development and production and would result in the raising of the scientific and productive achievements of the industry.

Applied research and development is not carried on to the same extent in Canada as in the U.S. and the U.K. For the most part, radios and TV sets are not developed in Canada -- they are modified American

and British designs, modified to conform to local power frequencies, C.S.A. standards and other matters of a relatively minor nature. Even the components that go into radio and TV sets are not designed in Canada, they are designed elsewhere, though in many cases produced in Canada. Probably 95 percent of the useful patents in radio and TV are of American and British origin.

The effect of the absence of research facilities is the distressing exodus of technical talent to the United States. The higher salaries in the U.S. explain only part of this loss. The fundamental reason is that good engineers want to be part of a development team doing original work. Increasing pressure from the U.S. in the way of attractive job opportunities may be expected. An authoritative magazine has indicated that the requirements for electronic engineers alone in the U.S. will increase 227 percent in the next four years.

It is seldom recognized how early decisions affecting the problem must be taken. Engineering training requires a minimum of four years at University, and an additional four years in industry, before a man becomes competent in his field. At least eight years will pass before significant improvements in the Canadian situation may be expected. Canada trains too few engineers and the loss to the United States compounds an already desperate situation. In United States 33 percent of the youth in the appropriate age group is registered at a university; In Canada only

7 percent. In the U.S. in ten years they expect 45 percent of the appropriate age group will be registered in universities, and in Canada only 10 percent. The relative lack of research and development opportunities in Canada, plus the wholly inadequate undergraduate and graduate school training in Canada's universities, constitutes a very real threat to the logical and highly desirable growth of the electronics industry in Canada.

Probable developments in the electronics industry over the next two or three decades:

Now, we break this down into things that will happen (industry seems unanimous on these) and things that may happen. Mr. Deakins has already touched on many points relating to television in the next two or three years. Long range communication systems should enable Canadians to see television over very long ranges, perhaps across the Atlantic. We think that the advent of the transistor will result in highly portable television sets, radios and such, and there seems very real evidence to suggest that electronic refrigerators, deep freezers and air conditioners will be in the consumer's home well before 1975.

Automation is probably the most important concept in the future of industry in Canada.

National defence -- high speeds, extremely high altitudes in test traffic and long ranges, pose tremendous problems. To the known techniques of radio communication, radio navigation and a fabulous array

of radar devices on the ground and in the air, can be added a new series of electronic devices using computers. The electronic computer sorts out the tremendous mass of data collected by all the other devices, and from this data provides the answer, and in some cases the necessary action.

The percentage of cost of the equipped aircraft expended on electronics has risen and will continue to rise. The electronics equipment of today's CF-100 all-weather interceptor costs about \$100,000. The electronic equipment required to operate an aircraft of the type CF-105 now under development in Canada, may cost as much as \$300,000. Such an electronic system will fly the aircraft to its base. The pilot in the aircraft becomes a "pilot engineer". Unpiloted aircraft are a definite possibility within the next ten years.

Things that may happen: -- A person carrying a two-way radio no larger than a package of cigarettes may be carrying what is in effect an extension to existing telephone system. Such developments, as an outcome of the transistor, are a distinct possibility.

The housewife of the future may have electronic stoves which will cook frozen foods from electronic deep freezers and be ready to serve in two or three minutes. Electronic washing machines and dryers may reduce the chore of home laundry to five or six minutes.

Correspondence in the next 20 to 30 years

will probably be handled electronically. Personal letters may be mailed at electronic post office boxes. A letter in all its detail will be transmitted over the microwave systems to its destination in the matter of a fraction of a second. At the receiving station the letter or document would be restored to its original form automatically and distributed by the usual method.

I should like to say that one of the very distinguished speakers before this Royal Commission referred to Canadians as "hewers of wood and drawers of water" which provoked a good deal of comment as you recall. In our view the Canadian economy is still based on the export of natural resources. It is a little bit like overating a business on the basis of selling the inventory. Canadians of this, and future generations, would be irresponsible if they continued to live off their heritage and failed to invest their wealth and energies in the broadening of our industrial base. Such a policy can hardly be an individual policy unless it is first a national policy. We submit a bold decision to establish such a national policy is in the national interest.

An interesting example of similar national policy is found in Switzerland where, lacking a national inventory, necessity dictated the selling of skills, and the Swiss became the world's greatest exporters of watches.

In our view, the greatest opportunity in the next 30 years for the improvement of Canada's national

economy through the export of skills, lies in the development of the Canadian electronics industry and its subsequent export of electronic devices.

Mr. Chairman, I have some graphs which I think dramatically tell the story of the industry in the last few years. They cover a period from 1942 to 1955. Before I comment on the graphs themselves, I should say that statistics are completely absent in this field, and these curves represent a number of best guesses, perhaps informed guesses, and to the extent that the R.E.T.M.A. have been able to give them to us, we have used their figures. You will note that in 1944 we had a peak production which reached about \$90 million during that year whereas in 1942 the industry was only about \$29 million. We have not been able to take into account any other activities such as radio and television dealers, the broadcasting industry and God knows how many other people that are engaged in some way in electronics -- but at the manufacturing level gross sales reached \$250 millions, possibly \$300 millions in 1955. A very interesting growth.

The next curve shows the number of persons employed during the same period, and the most startling revelation is the per dollar output per person in 1954, as compared to 1955. Substantially fewer people per dollar are employed as of this time.

Population of Canada versus gross national electronic product: We feel this is one of the most interesting curves of all in that it

shows that the rate of growth in the electronics industry is very much greater than the rate of growth of the population of Canada. From this we can conclude that we can expect a higher percentage of the consumer's dollar or perhaps a higher per capita expenditure on electronics.

This next curve tells about exports versus imports, and these figures are, for the most part, reported figures, and we feel that they are not the complete story in that there are a great deal of imports which are not classified as electronics. You will note the percentage of imports is rising sharply -- this is the known situation -- add to that an unspecified amount of imports not identified as electronics, and I think one recognizes that the ratio between imports and exports is disturbing. The ratio between imports and Canadian gross manufacturing production is also discouraging.

We have another series of curves that are somewhat abstract and perhaps not helpful but we feel at the very beginning of this is education and from education more development, more research and that such a basis ensures there will be growth in the industry itself.

MR. GRAUER: What page is it on?

MR. PATRICK: I am sorry, I can't give you it. I don't have the page number. I don't remember where it is in the original submission. You have it, Mr. Gordon.

THE CHAIRMAN: 222.

MR. PATRICK: This is an effort to translate scientific progress into something that we could measure and so we have plotted three graphs. The first one over the last 50 years, is the world registration assigned frequencies, and I must say the I.C.A.O produced this graph for us, and if you note, all curves are plotted on a five log basis and you will see a dramatic increase in the utilization of electro-magnetic spectrum.

The second curve, or the curve in the left top talks about the power of transmitters, radio transmitters, and it shows also a similar growth on a similar log basis.

And the third curve the rate of transmission of intelligence in words per minute. If we say that the registration of frequency is the highway -- I think that is a reasonable analogy -- and that the transmitter power is analogous to a vehicle, and the intelligence is analogous to the load, you can see that the highways, the vehicle and the load have increased spectacularly over the last 50 years. We haven't done this but we feel that if you plotted another curve on a similar log basis in dollars, you would find that this would be a family of curves that would be for practical purposes, coincidental.

Another series of curves, is the basis 1950-1980 and these curves were projected on the basis of the per capita expenditures on electronics in the United States in the last five years, and you will note that as of 1955 the United States reached a gross

national electronic product at the factory level of \$8 billion and this is what represents the high per capita purchase we referred to earlier.

In Canada it is substantially lower as you will see, but we feel that we have really extrapolated the American curve, interjected a time delay of five years and assumed that the Canadian curve would follow the American and perhaps come a little closer to it as in the future I think our per capita expenditures would increase and the ratio of three to one which appears to be the case today might be reduced say in the next 20 years to two to one, and at the same point in the future coincide.

Then, trying to think in terms of an export market, if there is an export market for Canada's electronic industry, we have to think of countries such as South America and assume that the South American per capita expenditures will lag the U.S. by a factor. Well, we have used a factor of 15 years behind Canada. In other words, 20 years behind the United States, when the per capita expenditures might develop. In this case we only talk about the industrialized countries of South America, but if one does some arithmetic on this curve you will find that there is an extremely large export industry developing in the next few years, which must be satisfied.

Then we were perhaps foolish enough to guess at the possible level of the electronics business in the next 20 years and this curve is the

one that demonstrates these findings and again we indicate an increase in the total electronic business which is at a rate exceeding the estimated Gross National Product and the Gross National Products are the guesses of many far more qualified people than ourselves. I think there is just one other picture I would like to leave with you and comment on and this is pinched from one of the American magazines and it is called "The Birth of a Missile" and the reason I have noted this one particularly is that it shows in 1945 the design contracts for missiles were released and the design contracts consisted of a number of things, not the least of which was the electronic components, the guidance and control portion of the contract. Ten years later the system was completed and the product delivered and I have noted it simply to emphasize the very long time that is involved, and that was my point earlier that decisions must be taken very early if one expects to improve our potential in 10, 15 years. That is all I have to say.

THE CHAIRMAN: Thank you, Mr. Patrick, for a most interesting submission.

MR. GRAUER: This chart here, is intended to show not just rate of growth but would the deduction be that in 1980 Canada would be at about the same place as the United States now?

MR. PATRICK: In per capita, that is right, yes.

MR. GRAUER: In the two ways in which you suggest that the government should support the industry,

the first being scientific education, would you expand a bit on the second? I am not sure I am clear on what you have in mind.

MR. PATRICK: Well, I think the first contribution the government could make is to endeavour to bring the industry -- and I mean the entire industry -- into their confidence when the first germ of an idea originates in the Department of National Defence so that the industry is not in the position where they have an opportunity to build equipment against a requirement of, say, six or eight months further when it is very obvious that a two or three year planning went into this in the government before the thing was revealed to the industry. I have the feeling that the industry deserves more confidence than that. I understand that one of the reasons for not bringing the industry in at the very earliest phase is that we all apply such sales pressure that we become great nuisances. I am sure there is a way around all this. Certainly we are all going to sell but it is very difficult to reduce that import portion of the total gross electronic product unless the industry is allowed at the beginning to find areas in which it can plow its own research and development funds against the probable requirements. It is speculative admittedly but there is a reasonable bet that we would reach our American friends if we had equivalent demand. In the United States this is what is done.

MR. GRAUER: It is being done in the United States much better than in Canada?

MR. PATRICK: That is right, sir.

THE CHAIRMAN: Would you expect the defense production people to concentrate on the firms that they had more confidence in? They might do that, I suppose?

MR. PATRICK: They would do that anyway, of course. They must. It is a very great responsibility to accept a development contract. If you fail to produce it there are a great deal of things out of kilter, especially in the field of electronics, of course, and where if you fail in the field of electronic control the whole military machine is affected.

MR. GRAUER: It is something you feel will work itself out, do you?

MR. PATRICK: Yes, but I feel that the importance of the point or its features -- it seems that overwork on the part of the fellows in charge of these responsibilities in Ottawa -- and that is the whole department of Defence and Defence Production -- is the major barrier to any communication. They are all so busy and overloaded all because of the rate of growth which has exceeded all that anyone assumed it would be. Even the enthusiasts have been too pessimistic on the growth.

MR. GRAUER: It seems growth is spectacular in electronics. In respect of the lack of research and development opportunities, you made mention of the wholly inadequate post-graduate and graduate school training of Canada's universities. Along which lines were you thinking particularly?

MR. PATRICK: Well, I would hope that the registrations -- I am thinking of engineers and physicists although in our field we employ all types -- mathematicians, chemists, aerodynamists and so on -- there it is not really so specialized as just engineers and physicists. We cannot hire sufficient engineers to perform the task we want to perform on our own account. It is not just the government work but the work we have to do on our own. Our work is about 50 percent government and 50 percent elsewhere but as we look at the picture these rather small registrations may be reduced by 50 percent effectively because of the loss of engineers to the United States. I recall Dr. Solandt telling me four or five years ago that during a period we graduated 22 Ph.D's. Of the 22, 20 took employment in the United States.

Now, unless something is done to increase the level of graduate training we will not have the teachers in the universities to produce the minimum number of engineers that could be usefully employed in Canada.

MR. GRAUER: What about the curriculum of the universities?

MR. PATRICK: We consider our Canadian engineers better frankly than the American engineers.

MR. GRAUER: That is what confuses me. These things seem to be talking about the curriculum.

MR. PATRICK: It is not the quality. I am talking about the number and the ability to expand in numbers.

MR. GRAUER: Is our post graduate training in engineering and scientific lines sufficient to fill the requirements?

MR. PATRICK: The post graduate training is suffering today under the pressure of industry to woo the boys out of school quickly and the number of those carrying on with post graduate training is declining rather than increasing and within the higher degrees of M.Sc. and Ph.D., the larger number percentage-wise are going to the United States than are remaining in Canada.

MR. GRAUER: Do we have the facilities here for the necessary post-graduate training or do they finish off in some other country?

MR. PATRICK: No, there is a growing -- well, not a growing but a practice that has been in vogue for many, many years of taking an M.Sc. or B.Sc. in Canada and going to another university to get a completely new outlook and that certainly goes on but the facilities do exist. If we go back to the beginning we are losing our Ph.D.'s and therefore we are losing our teachers.

There are some extremely interesting statistics -- I don't have my original brief in front of me but forgetting about the university in the employment of Ph.D.'s in industry it has been demonstrated that a Ph.D. or a group of ten Ph.D.'s produces ten times as many patents as a comparable number of M.Sc.'s and about 15 times the number of patents as the equivalent number of B.Sc.'s.

MR. GRAUER: There is something in education.

MR. PATRICK: There is something.

MR. GRAUER: But once they go away for post-graduate finishing off is there a tendency to stay away?

MR. PATRICK: I think that when our people leave it is very difficult to get them back and we still feel that it is not money although the costs seem to be ridiculous. There just is not any limit on the salary the American companies are willing to pay a Ph.D. It is the opportunity to do research and I am quoting now from our own losses. I would say that 80 percent of the engineers that have left our employ in the last four or five years are men who have come in and said: "It is all very interesting but I should like to do some fundamental research and I have such an opportunity at I.B.M." or somewhere else.

MR. GUSHUE: Does the industry contribute directly or indirectly to research by scholarships to graduate students?

MR. PATRICK: I think it is happening to the industry and I am speaking of my own industry but I think we can do a great deal more and would be well advised to do so. We have scholarships in two universities and we intend to do this for selfish reasons -- frankly to attract more interest in our own company and one of the benefits is that there will be some graduate training.

MR. GUSHUE: I notice you suggest an

increase in the tax credit for research?

MR. PATRICK: Yes, I have suggested first of all that the limitation on the present basis of 5 percent seems to have no basis at all. If you must have something, make it 10 percent which comes close to what industry can probably afford but I don't see why there should be any limit. The second thing is, I think the company should be given a reward for their investment in research and that is why the additional 25 percent has been suggested -- that for every dollar they spend I suggest they be permitted \$1.25 tax deduction.

THE CHAIRMAN: You would not settle for more government contracts, would you?

MR. PATRICK: We would be delighted but the question of research and development is one that is very badly confused and in industry we call it research but if research is controlled it begins to be something besides research. If the project is in physical form it is not research; if the project is a piece of paper then it is research.

MR. GUSHUE: Does the industry generally use to the limit or near the limit the present government facilities for research?

MR. PATRICK: I really don't know. I know we have but I really don't know.

MR. GUSHUE: I notice in another part you suggest the development of credit in the soft currency countries?

MR. PATRICK: That is right. This, of course, is not an unusual practice in competing with

the Germans and with some other countries. We are doing more export business and we feel that we can increase our export business substantially because we have more novel designs if it were easier to get the money.

MR. GUSHUE: Of course that would be on a wider basis than just electronics.

MR. PATRICK: Oh, of course.

MR. GUSHUE: I notice you make certain remarks about the CBC which don't show too great enthusiasm?

MR. PATRICK: I think the CBC is a terrific outfit. I like their programmes very much but my comment there is that surely the CBC being a government owned firm is in the ideal position to take chances and should be permitted to make mistakes and I don't see why they are so ultra-conservative in waiting and waiting and waiting. They are still waiting for colour television, they waited for television and in the process they have held back our industry for several years. If we could understand why. If there was any justification. I am not arguing the private versus CBC at all. I just think it is the logical vehicle for experimentation in this field. They are better able to afford to lose money than the private operator. That is the price of progress.

THE CHAIRMAN: I don't think we should start competing with Mr. Fowler. Mr. Patrick, I am for one, very interested in the success which you have been able to achieve with your company in a very short period. I wonder if you would care to just in a minute or two tell us how you managed to do it. We have been hearing quite a bit in our travels about the structure of most Canadian

industries and the fact that as they develop they narrow down into fewer hands. We suppose that that is not true in the electrical industry but still it is in a good many industries difficult for newcomers to break in. I am interested in knowing how you managed it, and whether you are going to be able to stay there?

MR. PATRICK: Well, the difficulties would take the rest of the afternoon so I will skip them. At the beginning we decided that we first of all would be a Canadian enterprise and regardless of the temptations to be something else, we have adhered to this policy. That is fundamental No. 1. That sorts out a lot of other factors.

The second thing, we decided to get into the business on the basis of doing business that other people at that time were not interested in. They perhaps had not recognized.

And thirdly, and perhaps most important, our willingness to do what was then considered rather a nasty way of working and living -- going up in the Arctic and doing overhauls which resulted in our getting government contracts. And so for four years of our company's advance we had nothing but government work in a field which did not then hold any particular interest for the other companies. I must say that since then that interest has grown perhaps because they found it was a field in which we were successful.

We then decided that being a Canadian company we had to have a high degree of diversification and that diversification imposed fantastic management

difficulties and a high degree of geographic decentralization; in other words, we put up plants employing people doing work which was proper, say in Winnipeg and Vancouver. I think that summarizes how we have got around the difficulties.

One other factor of very great importance is the licensing arrangements. We decided we wanted a number of proprietary items but we had to wait until such time as we had a number of proprietary items to do business with and we have patents of Dumont in the United States so that again was an interesting phase for consumer products which has been suitable for our own ends. In our heavy electronics we have a license from Curtiss-Wright in a very specialized field of electronics. The fact that we now have our proprietary items and a rather large developed organization has resulted in our now licensing other countries which we have done in the past and which we propose to do a great deal more of in the future so the original concept is beginning to come to fruition at this point.

THE CHAIRMAN: Thank you very much. At one point in your submission you referred to the desirability of an integrated industry research approach, an ideal which Dr. Jack MacKenzie has had for some time -- I don't mean as applied to your industry particularly. Are there any prospects of that developing in the electronics industry?

MR. PATRICK: There has to be some way of getting the money. We are, I suppose, like most, not blessed with having enough money that we could put away

for five or ten years. I don't know of any case and I don't really know of any opportunity except through government contracts and the suggestion that we be given an incentive in the tax consideration.

THE CHAIRMAN: I notice that you are a member of the Board of the Sir George Williams College. We had a submission from some of the students this morning which we were pleased to receive. We have not had a chance to look at it yet but I thought I would mention it when you were here. Thank you very much for a most interesting submission.

--- Recess

--- After recess

THE CHAIRMAN: Mr. Finlayson, we will mark your submission Exhibit 210.

MR. FINLAYSON: Well, Mr. Chairman, the brief or summary that was presented to you is intended to be just that because I felt that it was pretty nearly impossible to deal with this subject -- it had to be dealt with either in a brief way or a very extensive way and I have done it in this brief way in the hope that it may help you.

Canadian Marconi Company has been engaged in the radio and electronic business since 1902, and the remarks which follow are based upon that experience; furthermore, our Company, by reason of a variety of circumstances, has for most of its existence been engaged in the operation, as well as the manufacture, of many forms of electronic devices. By that I mean the marine field, broadcasting stations, transoceanic

telegraphy. As a consequence, we feel that our experience is a well-rounded one, comprehending as it does the maker and the user.

In the preparation of this Summary no attempt has been made to provide supporting statistical data, in the belief that the Commission will receive such data from Trade Associations and others and also because an effort is being made to deal primarily with matters of principle, in the hope that this form of presentation will be helpful.

You have asked how costs of production in Canada compare with those in the United States and the United Kingdom, and how these relative costs are likely to change in the future. It so happens that we are not engaged in business in either the United States or the United Kingdom and that, although we have important affiliations in both those countries, our knowledge of cost factors in either country is not great. However, our information leads us to the conclusion that there is no simple over-all way of stating how these costs are related to one another. As we see it, the differentials vary greatly with the field in which one is operating and also as between one company and another. While certain of our costs are high compared to those in the two countries mentioned, many of them are quite competitive. We believe that as Canada continues to develop and grow in population cost differentials generally will become more favourable to the Canadian producer.

I might interpolate there that the smallest differential we have now is about 5 percent. We are getting very close indeed. In many it is 10, and 12 and

15 and in others it rises to a very much higher level.

You have asked about the spectacular growth of the Canadian electronic business in recent years and whether it is likely to be continued in the future. The expansion in the business is, in our view, something that might well have been predicted had a Commission such as yours been sitting in, say, 1935. The growth is concerned with developments which are not particularly new and which, in one form or another, have been the result of much work by many people in many places. It is our view that electronics, because of its very nature, will continue to develop rapidly and that the employment of these techniques will spread into many processes, products, services and the like; therefore, it is our considered opinion that the expansion of the past will be fully lived up to in the future. At present the electronic component of the electrical business in Canada amounts to some \$300 million per annum and it seems reasonable to suppose that the growth of the business in the future will be at a greater rate than that of the Gross National Product or of the electrical industry as a whole. Upon these premises we would venture to suggest that by 1980 the annual electronic business would amount to something like three times its present volume in present-day dollars. And that, of course, does not include or is not intended to include services, but rather manufactured products.

As we see it, the development of automation will be largely measured by progress in the adaptation of electronic sensory and control devices to convert

mere mechanization into automation. It, therefore, seems to follow that automation will play a really significant role in the expansion of the electronic business.

The rapid growth of the electronic business in recent years has at once stimulated, and been stimulated by, a marked increase in engineering and fundamental technical work being done in Canada and we feel that this trend will continue at an accelerated pace. Although Canada derives much of its basic information from either the United States or the United Kingdom, the Canadian contribution is growing rapidly. There is every indication that a sufficient amount of fundamental work is already being carried on in this country to support the view that in the next 20 or 30 years we will be much more self-reliant in this respect than we have been in the past.

Government contracts of both a military and a peace-time nature have done much to stimulate the fundamental growth of engineering and research work in this country and this is nowhere more striking than in the electronic field. While one must decry the inherently wasteful nature of military expenditures, it does happen that such disbursements frequently spur on, as by-products, significant advances in more peaceful requirements. Aside from military needs, many Government Agencies are showing an increasing awareness of the value of electronic work in various forms -- and it is our sincere belief that, here again, Canadians, as such, will be increasing their own fundamental

engineering and research and that Canada, as a nation, will be contributing to other countries a significant proportion of their requirements in these fields. This process can be encouraged by a continuance of Government contracts, particularly for development work.

The electronic business in Canada is one of those which is frequently referred to as a "secondary industry", but we hope that that appellation does not become in any way synonymous, in the public mind, with a second-rate industry. It would appear to us that, as the population of Canada grows, the increase will have to be employed mainly by our secondary and service industries. Because of its apparent potential, the electronic business is one of those to which we must look in an increasing degree for additional employment of our growing population.

Our industry has many problems, about which you will be informed by others. We are impeded by discriminatory taxes in some of our lines; also, our electronic business is an extremely competitive one which makes it difficult to get what might be considered adequate rates of profit return and hence to earn the capital for ploughing back into research and forward-looking activities of all kinds. Because of the rapid development of the technical aspects of the industry, it is rarely possible to exploit for more than one year the results of engineering, tooling and the like and so we have a great burden which must be written off annually. However, in our view, these problems should be looked upon as challenges and opportunities rather than as burdens.

This concept seems to lead naturally to the question as to how the electronic companies can stimulate research and encourage training of skilled personnel. If we are to deal with the challenge of the future, we must find means greatly to increase the effectiveness of our training programmes and the development of the mental resources of our population. This, we feel, can only be done by stimulating education in many forms. Furthermore, it seems to us that, although we need greater numbers of engineers, technicians and specialists of many kinds, we will also need, in an increasing degree, individuals with a well-rounded training; thus, in the years to come we will need, in addition to the technicians, a greater number of graduates of Arts or similar broad educational courses.

We sincerely believe that Canada will move forward rapidly in the next generation and that the primary challenge facing Canadian industry today is to find effective ways of:

(a) Assisting our Universities and Technical Colleges - financially and otherwise; -- and I might interpolate again by "otherwise" I mean by not raiding their teaching personnel and by in some means contributing to their teaching staff and I think there are many ways that could be done.

(b) Encouraging potential students by scholarships and the like;

(c) Above all, creating a congenial and effective climate of employment so that we may retain these trained young people in Canada; and

(d) Expending increasing energy and sums of money in training courses for management development and techniques peculiar to given industries.

In presenting these suggestion, we are not unaware of the difficulties that attend upon such a programme. However, we feel that, given the requisite understanding of the possibilities, Canadians as a whole -- and Canadian industry in particular -- can effectively meet the challenge.

We fully believe that such a programme can be carried out with a minimum of Government intervention, but that it will need sympathetic understanding and encouragement by Government. There are no doubt many ways in which such encouragement could be expressed -- the more obvious being relief from all but essential taxation during periods of first growth and assistance by way of special tax exemptions based upon expenditures for such programmes. This would both alleviate the burden on and stimulate a company sincerely engaged in the implementation of a plan such as that envisioned above.

Canadian Marconi Company has been shaping its policies in recent years along the lines above-itemized. We have increased our support to Universities and Training Schools, we have arranged for certain bursaries and scholarships and we have set aside a significant portion of our total budgeted expenses for internal training in management and business development techniques. At the same time -- and partly as a result of these procedures, -- we have been able, by undertaking

original research and primary development work in ever-increasing volume, to contribute materially to making our Company more self-supporting in the technical field and simultaneously increasing its contribution to the national economy.

In conclusion, we should like to say that our own experience in dealing with these matters has been encouraging and stimulating and fully supports the view that the broad procedures above-outlined are those which, if properly understood and implemented, will make a most significant contribution to the economic prospects of this country.

Mr. Chairman, I might add somewhat I think orally or informally to what I have said.

You will probably gather from the content of that summary that I believe very strongly that an organism either grows or decays from within. It is my sincere belief that the problem facing Canada in expanding and dealing with the future of its economy comes down to the point that I made, how are we going to deal with our growing population from an educational point of view. One thing that we have tried has been to go back to school ourselves to see if we could find out in a realistic and an impartial way what our problems really were. In many cases we have found that it has been possible to attract people from the United States and from Britain apparently in the case of money for those from Britain and apparently from the point of view that we have been able to create existing challenges in some fields for some of these people.

Secondly, I feel rather strongly that we as Canadians are perhaps a little bit inhibited and that we should be less so in the future. We should be a little older in our thinking and when you come right back to the thing, industry today no longer deals with the human being or requires a human being as a sort of muscle power. Broadly and generally we are past that stage so that I feel that industry and government and the public as a whole should work together to support any project which will encourage what I refer to in this summary as the mental resources of our population.

I feel that Canada is in its transitional stage, where if we take the right switch and if we do those things that we need to, we will move forward as we are doing right now. I always come back to the fundamental that it is people we have to deal with. Our own experience in the last few years insofar as we can see fully supported that view. We have been able to increase our expenditures on engineering training, we have been able to more than treble our production in the last three to four years. We have very greatly increased the profitability of our business and as a result of that we are now, we hope, getting to the stage where we will be able to increase still more the contribution we can make to our own particular company's future and in a much broader way the future of the country.

Dealing with the matter of the universities I might say we have already set up with both McGill and

the Universite de Montreal a certain amount of liaison work. We have actually got some test apparatus in the Universite de Montreal where their student body and their teaching school are collaborating with us in certain tests in secondary engineering work and I have no doubt that there are many other ways along those general lines where industry and the universities could integrate their thinking and prevent the attrition of the teaching staffs and indeed be an aid to the teaching staffs.

Above all I am sincerely of the belief that we can ultimately prevent the drift of our population away. I most thoroughly agree with what several of my friends have said this morning that we need an increasing number of highly technical people and the more of these brains we can keep in Canada, I would say for every Ph.D. that we could keep profitably and sensibly employed in this country we could keep 1,000 other people congenially employed, if we have the brains, resources and the initiative to keep the Ph.D's here in the first place.

THE CHAIRMAN: Put them on a Royal Commission.

MR. FINLAYSON: That might be one way.

That, sir, is almost entirely philosophical and non-statistical but it is the way we happen to see it at the moment.

THE CHAIRMAN: Thank you very much,
Mr. Finlayson.

MR. STEWART: I certainly appreciate the point of view you have expressed. You mentioned the fact that Canada has been drawing technical and scientific

personnel from other countries. We lose some in that way but we have been losing in another. Have you detected any tendency of it becoming more difficult to obtain those people and for the influx of those sort of people to slow down?

MR. FINLAYSON: Yes, I think it has definitely become more difficult, let us put it in these terms. The price is high or in some way or other the hurdle has been raised, certainly in our field.

MR. STEWART: We were informed that in the United Kingdom, for example, one of their primary concerns today is in the schools and I think that where thinking of the universities we are apt to overlook secondary schools as well and the problem of the shortage of teachers. Would you be inclined to agree that if you are going to get young persons into the scientific field the motivation for that has to come early. They have to be interested.

MR. FINLAYSON: Quite right, sir, and we have in a small way done something along that line by welcoming the visitations to our factories and so on by high school students and the like. I believe industry could do a lot more of that in its own good interest as well as the country's.

MR. STEWART: This thought occurred to me in listening to your presentation. I suppose it is a reasonable assumption that as far as we can look ahead the conditions and cold war situation may be expected to continue but here you refer to the importance of

the government development in the defense programme which has very considerable civilian potentialities. Supposing at some time it is possible for us considerably to reduce our defense expenditure because of a change in the military situation, what happens then to government participation in this field?

MR. FINLAYSON: Well, I touched upon that. Our experience has been that although we tend to think of the defense people as the prime users, I think undoubtedly rather at the moment there are many other uses. Take the field of civil aviation as an obvious example. The amount of room for technical forward thinking in that field is very, very much indeed and a great deal of it is under control in this country of the Department of Transport, for example. We know of other governmental departments that have expressed, and not only expressed but are supporting their expression by actual expenditures in a variety of fields of this sort and I would be inclined to the view that a reduction in defense spending might well promote an upsurge in the more peaceful types of forward looking government work in all forms. In a like manner I think I mentioned the transitional situation a few minutes ago. I would not be surprised that this defense spending went on for a few more years if it would not have created the very thing we are talking about, that is to say, there will be a pent-up basic technological point of view into which our efforts can be directed to more peaceful pursuits of one sort or another.

Take radar. My company is doing far, far

more in that field in the peaceful sense today than we have ever done in the defense field and yet there was no doubt that spur of 20 odd years ago to bring it along. So I don't think it is entirely necessary that the defense thing should keep on as it did but I must say as we see the thing we really feel that regardless of what may happen to defense expenditures, the electronic companies will be making their own preparations.

MR. STEWART: On page 1 you refer to your affiliations in the United Kingdom and the United States. Would you care to tell us more about those?

MR. FINLAYSON: Well, sir, we find our affiliations in the United States are purely of the ad hoc type with individual groups for individual products or particular groups of know-how. In the United Kingdom we have a different arrangement. Control of our company lies with the English electric group of companies and that group is a very large group indeed, comprehending the aircraft industry, the heavy electrical industry, the consumer products type of manufacture and the original Marconi Company -- Marconi Telegraph Company at Chelmsford, England. We have warm and very useful association with all those companies but it so happens that many of the products which they make or which we make do not entirely match for one reason or another and also this condition is of comparatively recent origin and the result of that has been that we have had to go our own way to a very, very great extent. We have continued that policy in the sense

that we are building up an ever-increasing local technique business organization here but using to the fullest possible extent the know-how and the primary research and the like that we can draw from these people.

A curious part of it is that the more we draw the greater our own employment in particularly technical people has become.

MR. GRAUER: Just one point. You refer in point 4 to the fact that you are impeded by discriminatory taxes: in some of your lines. What are those discriminatory taxes?

MR. FINLAYSON: I was referring primarily to the excise tax on television and radio receivers which is a 15 percent impost, and from my point of view it is a highly discriminatory situation. However, no doubt the Radio and Television Manufacturers Association will be giving you gentlemen a great deal more information than I can possibly do.

THE CHAIRMAN: Well, thank you very much, Mr. Finlayson. We are very much indebted to you. With your interesting presentation it has been a rather interesting morning. Before adjourning I would like to note for the record that the brief of the National Federation of Canadian University Students, Scholarship Committee, of Sir. George Williams College will be filed and marked Exhibit 211.

We will adjourn until 2.30.

AFTERNOON SESSION

APPEARANCES:

Mr. C. N. Dorion, Vice-President,
Union des Municipalites de la Province
de Quebec.

Mr. Jean-Marie Martin, University of Laval.
Mr. Fridolin Simard, President, and
President of Quebec Chamber of Commerce.
Mr. Gaston Duquette, Secretary Treasurer.
Mr. Paul Pratt.

Mr. Leo Berube, Le Conseil de
Cooperation de Quebec.
Mr. Romeo Martin
Mr. M. Desoerdy.

THE CHAIRMAN: Well, shall we come to order, gentlemen? The first item this afternoon, one we are looking forward to very much, is a presentation of the Union of Quebec Municipalities. I think, Mr. Simard, if you would perhaps begin by introducing your colleagues who are with you, we would like to get their names in the record and we would like to mark your submission Exhibit 212.

If you would like to start we are all ready.

(Page 7275 follows)

M. Fridolin Simard :

Pour vous prouver que l'union existe bien dans l'Union des municipalités, nous avons pensé vous faire entendre la voix de quelques unes de nos personnalités les plus en autorité : Monsieur Paul Pratte me succédera. Monsieur Pratte est un ancien président de l'Union des municipalités et en même temps maire de Longueuil.

Monsieur Jean-Marie Martin qui est un économiste qui est doyen de la Faculté des Sciences Sociales de Québec.

Monsieur Dorion, M. C. N. Dorion, Me C. N. Dorion qui est également le premier vice-président de l'union des municipalités et maire de Courville.

Alors, monsieur le président, messieurs les commissaires,

Nous sommes heureux, au nom de l'Union des Municipalités de la province de Québec, de vous féliciter de la confiance et de l'estime que le gouvernement du Canada vous a témoignées en vous confiant la lourde et très difficile tâche de faire à la fois l'inventaire de toutes les ressources économiques de notre vaste et riche pays et d'essayer de définir l'orientation que prendra ou que devrait prendre son développement économique au cours des prochains vingt à vingt-cinq années. Il n'est pas douteux que votre travail eût été largement facilité si l'on avait fixé à vos prévisions une limite beaucoup plus rapprochée.

Quels que soient le nombre, la variété et la portée des événements qui pourraient bouleverser toutes les prévisions que l'on peut honnêtement et intelligemment tenter de faire actuellement, il est bon et utile qu'une jeune nation comme la nôtre, abondamment dotée, vigoureuse et peut-être même trop puissante pour son âge, s'interroge sur son avenir, essaie de mieux connaître ses forces et ses ressources afin d'en faire l'emploi le plus profitable mais aussi le plus sage.

Nous vous félicitons donc, messieurs, d'avoir été choisis, à cause de vos qualités personnelles et de votre haute compétence, pour faire ce diagnostic économique. Il convient aussi de féliciter notre gouvernement d'avoir pris cette initiative et de vous avoir appelés à remplir ces difficiles fonctions.

L'Union des Municipalités de la province de Québec, fondée en 1924, se compose de l'ensemble des cités et villes au nombre de 115 renfermant environ 70% de la population totale de notre province en 1954 et de 60 autres municipalités.

Elle a, à l'instar de la plupart des institutions similaires des autres provinces, principalement pour but d'améliorer les méthodes et la pratique de l'administration municipale, de développer l'esprit civique chez les citoyens, de recueillir, par la recherche ou autrement, tous les renseignements utiles aux administrateurs municipaux et de faire bénéficier la population de l'activité générale qu'elle déploie dans l'exercice de ses attributions.

Il nous fait plaisir, monsieur le président, de compa-

raître aujourd'hui devant vous et vos collègues pour vous exposer les aspects généraux des questions relevant de notre compétence et que nous croyons, étant donné la nature de votre mandat, devoir vous intéresser. Nous nous proposons, si vous y accordez votre assentiment, de faire une étude plus approfondie et plus détaillée de ces mêmes questions. S'il nous était loisible de vous remettre un mémoire plus complet, d'ici deux mois par exemple, nous sommes d'avis que nous pourrions alors apporter une contribution utile à vos travaux, en mettant à profit le résultat de plus de deux ans de recherche et d'étude entreprises par quelques uns de nos membres et un certain nombre de spécialistes en économie et en administration municipale que nous avons eu la bonne fortune de nous adjoindre.

Nous croyons, en effet, posséder actuellement une documentation qui, bien qu'incomplète, renferme, nous en sommes persuadés, des renseignements que vous jurez sans doute intéressants et qui serviront de base aux opinions que nous aurons l'honneur de vous soumettre.

Le mémoire que nous désirons vous présenter, monsieur le Président, contiendra d'abord une description de l'évolution des finances municipales dans la province de Québec depuis la fin de la dernière guerre jusqu'en 1955; puis on y décrira les changements démographiques survenus au cours de cette période, de même que les effets, tel qu'on peut les déceler, de l'industrialisation sur les structures financières et administratives de nos municipalités. Enfin, certains pro-

blèmes d'un caractère particulier ou qui paraîtront offrir plus d'intérêt pour vous, feront l'objet d'une troisième division. En conclusion, nous vous ferons part de nos opinions sur les besoins prévisibles de nos municipalités et sur les problèmes de finances publiques que, selon nous, elles auront à affronter par suite d'un épuisement graduel des ressources taxables.

Nous nous bornerons donc aujourd'hui à un exposé général des questions que nous considérons comme les plus importantes du point de vue municipal. Etant donné le caractère de notre association, nous vous ferons connaître le point de vue des administrateurs municipaux de la province de Québec et notre exposé sera celui des problèmes que nous trouvons dans les municipalités de cette province, sans nier pour autant que beaucoup de problèmes semblables, et souvent les mêmes, se posent à l'attention des administrateurs municipaux des autres régions du pays. Nous constatons, en effet, avec nos collègues des autres provinces, que la situation financière des municipalités s'est considérablement détériorée, non seulement par rapport à celle des gouvernements supérieurs, mais même par rapport à ce qu'elle était il y a à peine dix ans. Il est vrai que les obligations du gouvernement fédéral et celles des gouvernements provinciaux ont dû s'accroître très rapidement sous la poussée des mesures nécessaires à la défense du pays, à l'expansion de la sécurité sociale et à la mise en valeur des territoires sous leur juridiction respective.

Mais justement cette augmentation des charges publi-

ques a forcé les gouvernements à puiser davantage dans les ressources taxables traditionnelles et surtout à recourir à de nouvelles taxes.

Seuls le gouvernement fédéral et les gouvernements provinciaux ont le droit et la liberté de créer des impôts; fabricant d'impôts, ils ont une forte tendance, bien naturelle sans doute et souvent inévitable, à en conserver pour eux seuls la plus grande partie, sinon la totalité, des bénéfices.

Par ailleurs les sources où ils durent puiser, par le truchement des impôts les plus variés, ont toujours été fatalement les mêmes, car après tout il ne faudrait pas se laisser tromper par le truquage des formes d'imposition. C'est un fait brutal que tous les impôts, aussi ingénieux et aussi camouflés qu'ils puissent être, retombent sur le contribuable, individu ou entreprise. Pareille affirmation peut paraître un truisme, ou, si l'on veut, une vérité de La Palice; mais dans le tableau confus des impôts modernes, même l'évidence perd son caractère propre.

Or, c'est dans un tel enchevêtrement d'impôts ; - impôt sur le revenu, impôt sur les bénéfices, impôt sur le capital, taxe d'accise, taxe de vente - au niveau de la production ou au niveau de la consommation - taxe d'usage, droits de toutes sortes, licences, et quoi encore, - que se débattent les municipalités, aussi bien celles de la province de Québec que celles des autres régions canadiennes. Aussi en sont-elles réduites à la seule taxation foncière, à quelques rares taxes nouvelles au produit assez variable (dont la taxe de vente au détail semble vouloir devenir la plus répandue et la plus profitable,

du moins en un temps de prospérité ou d'inflation) à quelques revenus tirés des droits et des licences provenant de l'exploitation profitable de services publics rentables, et enfin aux subsides. De ces ressources financières, trois sont surtout importantes, au regard des municipalités évidemment, du moins dans notre province: la taxe foncière, la taxe de vente au détail et les subventions. (Il est à noter que la plus grande partie des octrois est versée aux corporations scolaires qui, dans notre province, ont leur entité, leur juridiction et leurs revenus propres et qui, par conséquent, sont entièrement distinctes des corporations municipales.

Depuis 1947, les revenus de la taxe foncière ont presque doublé, ceux de la taxe de vente au détail ont presque triplé; les premiers sont passés de \$67.6 millions en 1947 à \$128.6 millions en 1954; durant la même période les seconds se sont élevés de \$13.5 millions à \$35.4 millions; quant aux subsides, ils se chiffraient à \$12.3 millions en 1947 et à \$41.4 millions en 1954, étant pour cette dernière année d'environ 3.5 fois plus considérables qu'en 1947.

Si nous considérons la situation financière des corporations municipales en excluant des chiffres ci-dessus les revenus obtenus par les commissions scolaires, nous avons le tableau suivant: la taxe foncière avait rapporté aux corporations municipales la somme de \$37.9 millions en 1947 et de \$66.0 millions en 1952; la taxe de vente, \$13.5 millions et \$21.3 millions et les subsides \$3.9 millions et \$4.3 millions. En d'autres termes, l'importance relative de l'impôt foncier comme source de revenus pour les corporations municipales avait

faiblement augmenté de 1947, (soit 45.5% du total des revenus municipaux) à 1952 (47.1% de ce même total); quant à la taxe de vente, elle avait même à cet égard légèrement fléchi (16.2% et 15.2% respectivement); les subsides représentaient aussi une proportion diminuée (4.6% de tous les revenus en 1947 et 3.0% en 1952).

Les constatations suivantes relatives aux principales catégories de revenus municipaux valent la peine d'être notées;

1. L'importance relative des sources de revenus varie selon le caractère des municipalités. Ainsi la taxe foncière pour Montréal et ses municipalités satellites représente un plus faible pourcentage des revenus totaux de ce groupe de municipalités que ce n'est le cas pour les autres municipalités urbaines dans le reste de la province et que ce n'est surtout le cas pour les municipalités rurales. Pour le premier groupe, c'est-à-dire Montréal et les municipalités satellites, le revenu de la taxe foncière a même diminué en importance de 1947 à 1954; il s'est maintenu à peu près constant avec une faible tendance à fléchir, toutefois, par rapport à la somme des revenus provenant directement du public pour ce qui est des municipalités urbaines du reste de la province. Ainsi en a-t-il été pour les municipalités rurales.

2. C'est dans le groupe de Montréal et des municipalités de sa banlieue que les revenus de l'impôt foncier ont la plus faible importance relativement à la somme des revenus totaux (52.3% en 1954); c'est dans le groupement rural où ils ont l'importance relative la plus élevée (89.2% en 1954); le groupe des municipalités urbaines

hors la région de Montréal obtenait encore 60.6% de ses revenus de l'impôt foncier.

3. Les revenus de la taxe de vente ont haussé relativement à la somme des revenus de 1947 à 1954, pour Montréal et ses municipalités satellites; ce fut aussi le cas pour les autres municipalités urbaines, mais dans ce groupe l'augmentation relative des revenus de cette taxe fut encore plus forte que pour les municipalités du secteur montréalais; dans les municipalités rurales, il n'y eut aucun changement notable dans l'importance relative de la taxe de vente, de 1947 à 1954.

4. La taxe de vente dont le produit a été si salubre dans beaucoup de municipalités, surtout celles des cités et villes, paraît avoir atteint un plafond, au-delà duquel elle peut rapidement devenir régressive: ce n'est donc pas une taxe capable de combler plus qu'elle ne le fait présentement l'insuffisance des autres sources de revenus mises à la disposition des municipalités, même si le revenu global de la taxe de vente au détail peut encore théoriquement s'accroître d'une façon assez substantielle par suite du fait que seules les grandes municipalités et un certain nombre de cités et villes plus modestes jouissent déjà des revenus de cette taxe. On estime, par exemple, qu'en 1952 si toutes les municipalités avaient bénéficié de cette taxe, l'accroissement net de revenus aurait été de \$17.5 millions.

5. Une source de revenus municipaux qui peut, selon quelque apparence, être exploitée de façon plus profitable pour les municipalités est celle qu'apportent les services publics rentables.

6. A première vue, le rendement de la taxe foncière

paraît insuffisant, d'une façon générale. Il est certain que les méthodes d'évaluation et les pratiques en usage pour la détermination du taux de la taxe peuvent être sensiblement améliorées. En outre, les diverses politiques d'exemption en vue de stimuler la construction résidentielle, de favoriser certains développements industriels locaux ou par crainte de perdre des industries déjà établies, privent de revenus appréciables les corporations municipales. Ainsi en est-il des exemptions accordées aux grands services communautaires pour fins d'éducation ou d'hospitalisation et aux divers services gouvernementaux.

Cependant, même si cette situation était redressée, pourrait-on en retirer des revenus supplémentaires suffisants pour assainir complètement la situation financière des municipalités? Sans doute, il en résulterait une amélioration notable et nous sommes d'avis que ces anomalies devraient être corrigées, surtout parce que ces mesures auraient pour effet de faire disparaître une inégalité parfois criante d'obligations financières entre beaucoup de municipalités pour lesquelles ces exemptions, dont n'ont pas à souffrir certaines municipalités privilégiées, constituent un très lourd fardeau.

J'inviterais, monsieur le Président, monsieur Pratte à continuer la lecture, s'il-vous-plaît.

Monsieur Paul Pratte :

Monsieur le Président, messieurs les commissaires, me rendant à la demande de monsieur le président, je vais continuer la lecture du mémoire.

Mais quelles que soient les améliorations que l'on pourra apporter pour atténuer ces lacunes, ces erreurs ou ces faiblesses d'organisation, on ne pourra, nous semble-t-il, si l'on tient compte des fonctions et des obligations de la municipalité moderne, accroître suffisamment les revenus municipaux uniquement par la taxe foncière, à moins de la réserver exclusivement à l'administration municipale seule. Et même alors, pendant combien de temps les revenus qu'elle apportera suffiront-ils à défrayer le coût des services municipaux actuels? Il ne faut pas oublier que de plus en plus, du moins dans les principaux centres, on tend à faire un emploi maximum de l'imposition foncière, c'est-à-dire un emploi qui va à la limite économiquement et socialement justifiable de l'imposition foncière. Après tout l'usage économiquement utile et socialement acceptable de l'impôt foncier n'est pas déterminé par son taux ni même par l'évaluation correcte de la propriété imposable, même si ce sont là des éléments dont il faut tenir compte; mais il l'est, en réalité, par la capacité de paiement du contribuable. Or cette capacité ne peut pas être mesurée uniquement en fonction du niveau de taxation municipale; il faut tenir compte du poids de toutes les taxes imposées par les gouvernements sur le revenu du contribuable, puisque celui-ci est le contribuable à la fois du gouvernement fédéral, du gouvernement provincial, des corporations municipales, des corporations scolaires et qu'en plus il est astreint à des contributions au culte qui, la plupart du temps, sans avoir le caractère obligatoire pénal des taxes comportent un engagement moral. En outre, ce contribuable n'a pas un revenu particulier pour alimenter les coffres

de chaque niveau d'administration publique : il n'a qu'un seul revenu sur lequel s'appesantit le fardeau de toutes les taxes.

Il y a un autre fait qui tend à limiter le revenu en provenance de la taxe foncière; ce sont les changements considérables survenus depuis le début du siècle dans l'assiette même de l'impôt. Le nombre d'unités taxables à haut rendement, par rapport à l'ensemble des unités taxables, de toute nature, a fortement diminué dans les milieux urbains.

Enfin, dans les municipalités de type rural dominant, il est indiscutable que l'impôt foncier est loin d'avoir atteint sa limite de rendement. Mais précisément est-il nécessaire, - étant donné la nature et la limite assez restreinte des besoins locaux et étant donné l'aménagement particulier du territoire rural, caractérisé habituellement par sa vaste étendue et sa faible densité de population, - d'accroître beaucoup plus les revenus tirés de la taxe foncière par cette catégorie de municipalités? D'ailleurs la rentabilité de la propriété imposable est généralement beaucoup plus basse en milieu rural qu'en milieu urbain, surtout en milieu urbain industrialisé.

Voilà pourquoi, à notre avis, la possibilité d'accroissement des revenus de l'impôt foncier est loin d'être aussi considérable qu'on pourrait être enclin à le croire à première vue.

Il est maintenant intéressant, à la suite de ces brèves constatations sur les revenus dont peuvent disposer les municipalités, de faire une courte analyse de leurs obligations financières et partant de leurs dépenses.

C'est dans le domaine de l'instruction publique que les dépenses locales ont le plus fortement augmenté depuis 1947; et n'eût été la participation de plus en plus forte du gouvernement provincial aux frais locaux de l'instruction publique, il aurait fallu limiter les moyens d'instruction et provoquer ainsi un recul social, culturel et économique désastreux ou bien, il aurait fallu mettre à la disposition des commissions scolaires une partie importante des ressources propres aux corporations municipales, et, en ce faisant, on aurait compromis le bien-être général de la population.

Or, justement, si l'on tient compte - comme on doit le faire - des subventions versées par le gouvernement supérieur, on constate que ce n'est plus le secteur de l'instruction publique qui a drainé le plus les ressources locales, depuis la fin de la guerre, mais le secteur du bien-être social, c'est-à-dire l'assistance aux indigents, les services de santé et d'hygiène et les frais d'entretien d'hôpitaux. (Il faut noter toutefois que l'accroissement des dépenses d'instruction publique, au niveau des institutions locales, a été extrêmement rapide depuis trois ans, au point que malgré les secours de l'Etat provincial, elles menacent de devenir les dépenses locales les plus considérables).

Le service municipal de protection - protection contre le feu et sécurité pour la personne et la propriété - a vu lui aussi ses dépenses augmenter très rapidement depuis 1947; ainsi en fut-il des frais généraux d'administration, surtout faits de salaires et de traitements. Ces deux catégories d'activité furent sujettes à deux principaux facteurs de hausse; la multiplication et le développement très rapides des centres

urbains, d'une part, et, d'autre part, l'inflation, qui a surtout été manifeste au poste des traitements et salaires.

En pourcentage des dépenses totales des corporations municipales et scolaires, les frais nets de voirie (c'est-à-dire les frais de voirie moins les subsides) ont même baissé légèrement de 1947 à 1954; malgré cela ils s'élevaient à \$27.6 millions pour cette dernière année, tandis qu'ils n'avaient été que de \$15.9 millions en 1947.

Si maintenant nous tenons compte du caractère métropolitain, urbain ou rural des municipalités, nous observons facilement que le comportement général du coût des fonctions municipales, tel que nous venons de le décrire, varie beaucoup selon le caractère du groupe de municipalités considérées.

Comme on doit normalement s'y attendre, les variations enregistrées par chaque catégorie de dépenses du groupe de Montréal et de ses municipalités satellites diffèrent peu des variations des mêmes catégories de dépenses pour l'ensemble des municipalités de la province, étant donné l'importance prépondérante de ce groupement de municipalités. En effet, en 1954, par exemple, les frais de bien-être social du groupe métropolitain de Montréal représentaient 73.1% du total de ces frais pour toutes les municipalités de la province; les frais de protection, d'administration et autres frais similaires représentaient, eux, 71.6% du total des dépenses similaires; quant aux autres catégories de dépenses, ce pourcentage s'établissait comme suit: instruction publique : 53.0%;

voirie : 46.7%, provision pour rachat de la dette : 52.3%, et service de la dette: 43.6%. Le total des dépenses nettes de Montréal et des municipalités satellites équivalait à 60.3% du total des dépenses nettes pour l'ensemble des municipalités de la province.

C'est là une constatations intéressante; en effet, dans la mesure où la région métropolitaine de Montréal occupera dans la province une place dominante et surtout dans la mesure où son progrès sera celui qui affichera le plus de dynamisme par rapport à celui des autres régions, le comportement des finances des corporations municipales et scolaires de la région métropolitaine marquera profondément la situation financière des municipalités en général. Mais même si tel est actuellement le cas, les développements urbains et industriels survenus dans d'autres régions de la province, surtout dans les régions jusqu'ici considérées comme marginales, peuvent fort bien entamer la position dominante du groupe métropolitain, non seulement dans le champ des finances municipales, mais même dans tout le domaine de l'activité économique.

Depuis quelques années, les états financiers des municipalités de la zone métropolitaine et surtout ceux de la cité de Montréal dénotent, par rapport aux autres municipalités, une condition évoluée d'organisation municipale aussi bien que d'aménagement du territoire. En ce qui concerne la ville de Montréal elle-même, par exemple, il est manifeste que l'on se trouve en présence d'un territoire municipal dont l'aménagement est presque terminé et où, par conséquent, les investissements pour services nouveaux vont aller normalement en décroissant. (Ceci ne veut pas dire toutefois que les services actuels répondent adéqua-

tement aux besoins du territoire et de sa population; considéré sous cet angle, le problème des investissements nouveaux pour la cité de Montréal peut être considérable).

L'évolution qui s'est produite dans les dépenses des autres municipalités urbaines de notre province fait voir dans ce groupement municipal un progrès et un dynamisme remarquables; l'accroissement rapide de certaines catégories de dépenses révèle l'activité économique qui s'est déployée dans le territoire de ces municipalités urbaines. Ceci est particulièrement visible dans les deux catégories de dépenses les plus étroitement reliées aux mouvements démographiques; l'instruction et le bien-être.

Quant aux dépenses de voirie de ce groupement de municipalités, même si elles paraissent avoir été les moins variables de 1947 à 1954, elles sont, elles aussi, reflété toute l'activité que déployèrent les municipalités urbaines en dehors de la région métropolitaine de Montréal, durant les années de l'après-guerre immédiat; ainsi de 1947 à 1951 inclusivement, elles furent annuellement plus élevées dans le groupe des municipalités urbaines qu'elles ne le furent dans le groupe des municipalités métropolitaines: fait remarquable et qui ne s'était jamais produit auparavant, du moins si l'on en croit les données que l'on possède depuis 1930. De 1947 à 1949 inclusivement, les dépenses de voirie du groupement urbain, hors de la région métropolitaine, représentèrent de 22 à 25% de toutes les dépenses nettes des corporations municipales et scolaires réunies.

Enfin, l'analyse des dépenses des municipalités du secteur rural révèle là aussi un développement qui, pour n'être pas aussi spectaculaire que celui que l'on a pu constater pour le groupe urbain, indique cependant une forte vitalité. Celle-ci laisse assez facilement deviner une urbanisation qui s'étend peu à peu presque à tous les territoires de la province et un mouvement d'industrialisation qui se répand également à peu près partout.

Et maintenant, monsieur Martin.

Monsieur Jean-Marie Martin :

Je vais continuer la lecture, avec votre permission.

Avant de clore cette courte analyse des courants que dessine, depuis la fin de la guerre surtout, l'évolution des revenus et des dépenses des divers groupes de municipalités de la province de Québec, il peut être utile à cette Commission que l'on jette un coup d'oeil sur le mouvement de la dette municipale et scolaire et que l'on voit les changements qui se sont produits dans sa composition depuis les dix dernières années.

La dette globale nette des corporations municipales et scolaires de la province de Québec est passée de \$437.9 millions en 1947 à \$674.6 millions en 1954, soit une augmentation de \$237 millions en huit ans; en réalité l'élévation de la dette fut plus rapide que cela. En effet, l'intervention du gouvernement provincial en 1947 dans le champ de la dette obligataire des commissions scolaires, intervention qui prit

la forme du rachat d'une grande partie de la dette scolaire obligataire, fit alors brusquement baisser la dette globale de cinquante millions de dollars; ce qui fait qu'en 1950, par exemple, la dette globale nette \$425.7 millions était encore inférieure de 12 millions de dollars à ce qu'elle avait été en 1947. De la fin de 1950 à la fin de 1954, la dette globale s'accrut donc de \$425.7 millions à \$674.6 ou pratiquement de \$250 millions en quatre ans, soit \$60 millions par année.

Quel groupe de municipalités dut pendant les dix dernières années augmenter le plus sa dette et surtout sa dette obligataire? (Afin de savoir quels furent les secteurs de la dette qui eurent à subir les plus importants changements, il faut utiliser les chiffres de la dette obligataire brute, parce que nous n'avons que ceux-là qui sont répartis selon les secteurs suivants : secteur scolaire, secteur pour fins de voirie, secteurs pour services publics rentables, et enfin secteur pour fins diverses.

En 1947, la dette obligataire brute - municipale et scolaire - était distribuée entre les trois groupements municipaux de la façon suivante :

a) Montréal et satellites :	67.1%
b) Autres municipalités urbaines :	31.0%
c) Municipalités rurales :	1.9%

En 1954, la répartition était ainsi faite :

a) Montréal et satellites	42.5%
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b) Autres municipalités urbaines	50.9%
c) Municipalités rurales	6.7%

Si nous divisons la dette obligataire brute des commissions scolaires de celles des corporations municipales, on obtient les pourcentages suivants pour les deux années comparées :

1. Dette obligataire brute des commissions scolaires:

	<u>1947</u>	<u>1954</u>
a) Montréal et satellites	68.1%	17.3%
b) Autres municipalités urbaines	29.1%	63.7%
c) Municipalités rurales	2.8%	19.1%

2. Dette obligataire brute des corporations municipales :

	<u>1947</u>	<u>1954</u>
a) Montréal et satellites	67.0%	49.5%
b) Autres municipalités urbaines	31.3%	47.3%
c) Municipalités rurales	1.7%	3.2%

Il ressort de ces quelques chiffres que c'est le groupe des municipalités urbaines hors de la région métropolitaine de Montréal qui a vu sa dette obligataire grossir le plus depuis la fin de la dernière guerre; par contre, celle des municipalités de la région montréalaise - et l'on devrait dire plus particulièrement celle de la ville de Montréal elle-même - a fortement décliné quant on la compare à celle des autres groupements; elle a aussi diminué de façon absolue, soit \$296.6 millions

en 1947 et \$261.0 millions en 1954. L'un des faits les plus remarquables de cette période, c'est la rapidité de l'endettement des municipalités rurales; ainsi en 1947, la dette obligataire brute municipale de ce groupe s'élevait à \$6.2 millions; elle était de \$15.3 millions en 1954. La hausse fut encore beaucoup plus forte pour les commissions scolaires; la dette obligataire brute des commissions scolaires rurales était évaluée à \$2.3 millions en 1947 et à \$25.6 millions en 1954.

Dans le secteur urbain non métropolitain, l'augmentation de la dette obligataire brute fut un peu moins prononcée, mais à cause de son importance elle ne fut pas moins remarquable; en 1947, la dette obligataire brute proprement municipale était de \$112.3 millions pour ce groupe; elle avait atteint \$227.1 millions en 1954. Quant à la dette scolaire de ce secteur, elle était passée de \$24.1 millions en 1947 à \$85.6 millions en 1954, malgré l'intervention du gouvernement provincial en 1947-48.

Quelle catégorie de dette obligataire a la tendance la plus forte à s'accroître? Si l'on regarde ce qui s'est passé de 1947 à 1954, c'est évidemment la catégorie dite "dette obligataire pour fins scolaires" qui possède cette caractéristique. Ainsi en 1947, avant le rachat d'une forte partie de cette dette par la Province, la dette obligataire brute pour fins scolaires représentait 18.8% de la somme de la dette obligataire brute combinée des corporations municipales et des corporations scolaires; l'année suivante, par suite de l'action gouvernementale, ce pourcentage n'était plus que de 6.5%; mais en 1954, il était rendu à 21.9%. Vient en second lieu la dette pour services publics

rentables; en 1947, elle constituait 18.2% de la dette obligataire brute totale - municipale et scolaire - ; en 1954, elle en formait 24.0%; quant à la dette obligataire brute pour fins de voirie, elle équivalait, en 1947, à 15.9% de la dette obligataire brute totale et à 17.2% en 1954. La seule catégorie qui, envisagée sous cet aspect, avait diminué était celle de la dette obligataire brute pour fins diverses (surtout faite de la dette obligataire brute pour construction d'égouts); en 1947, elle représentait 47.1% de la dette obligataire brute totale - municipale et scolaire - (elle s'éleva même à 53.0% en 1948 et à 52.10% en 1949); et en 1954, elle n'en constituait plus que 36.9%; ce qui ne l'empêchait pas de demeurer encore le plus important secteur de la dette, tant de façon relative qu'absolue.

Si nous cherchons à découvrir, dans chacun des trois groupements de municipalité, les secteurs les plus variables de l'endettement, en éliminant celui de l'instruction publique, on s'aperçoit que dans le groupe des municipalités métropolitaines, c'est la voirie qui a entraîné la plus forte augmentation de la dette obligataire brute: de \$34.5 millions en 1947, elle était devenue \$45.7 millions en 1954. D'autre part, la dette obligataire pour services publics rentables avait peu augmenté (\$44.8 millions en 1947 et \$46.1 millions en 1954) et celle pour fins diverses avait baissé de \$15 millions, soit de \$160.8 millions en 1947 et \$146.0 millions en 1954.

Dans le groupe des autres municipalités urbaines, la dette pour fins de voirie a fortement augmenté durant cette période; de

\$35.7 millions en 1947, elle était rendue à \$58.7 millions en 1954, soit un accroissement de \$23 millions en huit ans. La même tendance se remarque mais encore plus forte dans les deux autres secteurs de la dette; ainsi la dette obligataire pour services publics rentables est passée de \$33.8 millions en 1947 à \$94.1 millions en 1954, soit donc \$60.3 millions d'augmentation et celle pour fins diverses de \$42.8 millions à \$74.3 millions, soit donc \$31.5 millions d'augmentation.

Cette hausse générale et très forte dans chacun des secteurs de la dette obligataire du groupement des municipalités urbaines est, à nos yeux, fort révélatrice; à notre avis, elle témoigne à la fois du développement extraordinaire de cette catégorie de municipalités depuis la fin de la guerre surtout et de la pénurie de services municipaux bien organisés qui avait existé jusque là et que ces municipalités, sous l'effet de l'accroissement de leur population et de leur développement industriel, durent corriger ou faire disparaître. Ceci semble dénoter également, surtout si l'on tient compte de l'élévation phénoménale de la dette dans tous ces secteurs, de 1953 à 1954, que les investissements de ce groupe de municipalités sont loin d'être terminés et qu'ils devraient s'accroître encore substantiellement.

Dans le groupement des municipalités rurales, ce sont, comme on pouvait s'y attendre, étant donné l'importante contribution du gouvernement provincial à la voirie rurale, les secteurs suivants de la dette obligataire brute qui ont subi la plus forte hausse; services publics rentables, c'est-à-dire systèmes d'aqueduc exclusivement et dette pour fins diverses (contractée presque uniquement pour la construction d'égouts).

Dans le premier cas, la dette était de \$1.6 millions en 1947 et de \$7.1 millions en 1954; dans le second cas, elle était de \$4.3 millions en 1947 et de \$6.6 millions en 1954. Ce comportement de la dette obligatoire dans les municipalités rurales correspond bien aux déficiences qui y existent dans l'organisation des services publics. Et les tendances que ce comportement révèle ne feront, à notre avis, que s'accroître, peut-être encore plus vite que ne s'urbaniseront ces milieux déjà assez ouvertement engagés, pour la plupart, dans ce mouvement d'urbanisation et d'industrialisation qui a été le fait marquant de l'après-guerre dans cette province.

Avant de terminer cette description à larges traits de l'évolution qui s'est produite dans les finances des municipalités et dans leur situation financière, il est bon d'y ajouter certains chiffres sur les immobilisations annuelles faites par les corporations municipales et les corporations scolaires depuis 1947. Ces données nouvelles peuvent faciliter la détermination des besoins actuels des deux institutions, en même temps qu'elles peuvent permettre d'en mesurer "grosso modo" l'ampleur pour les prochaines années.

On estime qu'en 1947 les corporations municipales de la province de Québec ont dépensé en immobilisations la somme de \$10.8 millions ainsi répartie : \$2.9 millions pour la voirie; \$4 millions pour les services publics rentables et près de \$4 millions pour fins diverses; de leur côté les commissions scolaires avaient dépensé \$3.3 millions en immobilisations. Mais en 1948, ces commissions scolaires devaient dé-

penser de cette façon \$15.3 millions, tandis que l'augmentation du côté municipal était relativement beaucoup plus modeste. En 1951, les dépenses en immobilisations des corporations municipales firent un bond prodigieux; en 1950, elles s'étaient maintenues au niveau des trois années précédentes, mais en 1951, elles doublèrent, et elles redoublèrent de 1951 à 1953, alors qu'elles s'élevèrent à \$61.2 millions pour cette seule année. Si, à ce chiffre on ajoute celui de \$34.0 millions qui représente les investissements faits en 1953 par les corporations scolaires et qui lui aussi est le double de ce qu'étaient les investissements scolaires en 1951, on arrive à un grand total de \$95.2 millions pour les dépenses en immobilisations municipales et scolaires pour la seule année 1953. Or, cette somme est 6.5 fois plus grande que celle des investissements totaux faits en 1947 par les corporations municipales et scolaires.

De 1947 à 1953, voici ce que fut l'augmentation des dépenses en immobilisations, selon les secteurs :

voirie :	\$2.9 millions à \$18.4 millions, soit 6.3 fois de plus				
service publics rentables :	4.0	"	à \$14.5	"	" 3.6 f. "
fins diverses	4.0	"	à \$28.3	"	" 7.1 f. "
instruction publique	3.8	"	à \$34.0	"	" 9.0 f. "

Afin de mieux comprendre la raison des changements qui se sont produits dans les finances municipales au cours de la période d'après-guerre et afin de se faire une idée plus exacte de ce que pour-

ront être quantitativement et qualitativement les besoins des municipalités dans les vingt ou vingt cinq prochaines années, il importe de connaître l'évolution démographique et industrielle qui s'est opérée depuis la fin du dernier conflit dans la province de Québec. Ces phénomènes, étant déjà assez largement connus, nous nous bornerons, monsieur le président, à en esquisser quelques aspects plus directement reliés au domaine municipal, en rappelant spécialement certains changements survenus depuis une quinzaine d'années.

Inutile de citer d'abondantes statistiques sur la diminution de la population rurale au profit de la population urbaine, depuis surtout les cinquante dernières années. Qu'il suffise de mentionner qu'en 1951, on estimait que la population de caractère urbain représentait 67.4% de la population totale; en 1954, on estimait que cette proportion avait déjà atteint près de 75%. Il peut être intéressant aussi de révéler qu'en 1941, on comptait dans notre province 41 municipalités ayant 5,000 habitants et plus; dix ans plus tard ce nombre était passé à 74 et en 1954 il s'élevait à 91. En 1951, 74 municipalités de 5,000 âmes et plus renfermaient 54.0% de la population globale de la province et en 1954 les 91 municipalités de cette catégorie avaient une population totale estimée à près de 80% de la population de la province. On est donc en présence d'un mouvement d'urbanisation dont la vitesse acquise dépasse tout ce que l'on pouvait imaginer vingt ans plus tôt. Or ceci, il va de soi, pose déjà à une foule de municipalités, qui, pour ainsi dire, ont été prises au dépourvu, des problèmes d'organisation et d'aménagement d'une telle ampleur que l'on peut douter de leur capacité à les résoudre, faute la

plupart du temps de ressources suffisantes en temps opportun.

La forte urbanisation qui s'est opérée depuis 1940 ne s'est pas seulement manifestée par une multiplication étonnante du nombre des localités urbaines; en réalité, elle s'est même plutôt exprimée sous la forme d'une concentration qui, si elle devait continuer à s'accroître, risquerait de créer des difficultés sérieuses d'administration, par suite d'un déséquilibre accentué de peuplement sur un territoire trop densément peuplé en quelques endroits seulement et trop faiblement habité dans la majeure partie de son étendue. Cette vrainte, toutefois, pourrait fort bien paraître exagérée si l'on possédait des renseignements pouvant démontrer qu'une certaine partie du territoire organisé en municipalités n'aurait pas dû l'être ou que le nombre actuel de municipalités est trop élevé pour assurer une administration véritablement rationnelle et efficace du territoire. Or une telle révélation pourrait avoir des suites intéressantes; en effet, quand on doit envisager une pénurie de ressources, il y a alors deux démarches normales à entreprendre; trouver de nouvelles ressources ou employer les ressources existantes de façon à en retirer la plus grande utilité ou, en d'autres termes, de façon à leur faire donner leur plus haut rendement.

Quoi qu'il en soit, il est incontestable que le mouvement actuel d'urbanisation dans notre province semble bien manifester les deux tendances dont nous venons de parler; d'abord une certaine extension géographique qui semble vouloir s'accroître avec rapidité, mais qui n'est toutefois pas encore solidement lancée; ensuite une concentration de population, qui n'est que la continuation d'un mouvement antérieur,

mais qui s'opère avec plus de force et en épousant des formes plus variées qu'auparavant. Les deux principales formes de cette concentration sont le développement métropolitain et la connurbation, deux phénomènes qui comptent parmi les plus considérables de tout l'activité municipale depuis environ dix ans. Nous ne tenons, pour l'instant, messieurs les commissaires, qu'à les signaler à votre attention, nous réservant d'en traiter assez longuement dans le mémoire que nous nous proposons de vous soumettre, à cause de la complexité et de l'importance même de ces deux problèmes. Cependant, nous faisons tout de suite remarquer que ce développement métropolitain suscite, par la rapidité de ses progrès et par suite de l'insuffisance des structures locales, des difficultés sérieuses dans deux régions principales: celle de Montréal, dont les problèmes sont évidemment les plus considérables, et celle de Québec où la croissance de la banlieue a connu récemment une très grande vigueur. Les chiffres suivants donnent une idée de l'accroissement métropolitain des deux régions depuis 1931 et font bien voir que c'est depuis 1941 que cet accroissement a pris une signification réelle, même si avant cela on pouvait déjà parler d'une zone métropolitaine pour Montréal.

En 1931, la région métropolitaine de Montréal comptait 8 municipalités ayant une population de 5,000 habitants et plus; en 1941, ce nombre n'était encore que de 9; mais en 1951, il était rendu à 20. Dans la région de Québec, on trouvait 3 municipalités ayant 5,000 âmes et plus en 1931; dix ans plus tard, il y en avait encore seulement quatre; mais en 1951, elles étaient au nombre de 10.

La population des deux régions métropolitaines habitant dans les municipalités de 5,000 habitants et plus, compte non tenu des deux cités principales, s'établissait comme suit en 1931, 1941 et 1951 :

<u>Année</u>	<u>Région Métropolitaine de Montréal</u>	<u>Région Métropolitaine de Québec</u>
1931	149,081	18,808
1941	170,096	25,261
1951	316,747	70,750

La population de ces deux régions métropolitaines est évidemment plus élevée que les chiffres ci-dessus ne l'indiquent, si on compte aussi la population habitant les localités de moins de 5,000 âmes; ceci est surtout vrai de la région métropolitaine de Québec, beaucoup moins densément peuplée encore que celle de Montréal.

Quant au phénomène de connurbation auquel nous avons fait allusion, il est apparu dans certaines régions où s'est produite une poussée industrielle très forte et très rapide aussi. C'est notamment le cas de Chicoutimi, Arvida, Kénogami, Jonquière et de quelques autres municipalités environnantes, et celui aussi de Drummondville, St. Joseph, St. Simon et St. Jean Baptiste de Drummond, également de Trois-Rivières, Cap-de-la-Madeleine, Ste. Marthe et Pointe du Lac.

Cette phase de concentration urbaine est la forme que, dans sa croissance évolutive, peut prendre une future grande ville, qui

pourra devenir à son tour un centre métropolitain ou c'est la forme embryonnaire d'une région métropolitaine même, la conurbation, dans ce cas, étant axée sur une ville principale déjà existante.

Messieurs, si vous permettez, je vais demander à monsieur Dorion, le vice-président de l'Union, de continuer la lecture.

Me C. N. Dorion :

Monsieur le Président, messieurs les commissaires,

En résumé, durant cet intervalle qui s'est écoulé de 1941 à 1954, on a assisté à une multiplication étonnante de municipalités ayant une population d'au moins 5,000 habitants, à une expansion urbaine rapide dans toutes les régions habitées de la province, qui fut néanmoins accompagnée d'une concentration de population dans des territoires restreints. Ce dernier phénomène a pris deux formes principales; le rassemblement de municipalités, autrefois séparées et indépendantes, maintenant reliées assez étroitement les unes aux autres et dépendant plus ou moins les unes des autres, et la croissance de régions métropolitaines qui s'est faite autour de deux villes principales, Montréal et Québec, avec cette différence toutefois entre les deux régions que la première, celle de Montréal, a connu un développement beaucoup plus rapide que celui de la seconde, par suite de l'importance déjà reconnue de la ville centrale et par suite aussi de sa localisation favorable du point de vue industriel.

Quant au progrès de l'industrialisation, il ne nous appartient pas de le décrire en détail ni de l'analyser. Reconnaissons toute-

fois qu'il a été le plus puissant facteur d'urbanisation des dix ou quinze dernières années, et que vraisemblablement, il demeurera encore la force qui conservera au mouvement d'urbanisation des années futures la puissance qu'il a manifestée depuis la fin de la guerre, mais surtout depuis 1950.

Cette expansion industrielle dont la province de Québec est actuellement l'objet, nous intéresse surtout, en tant qu'administrateurs municipaux, par les problèmes qu'elle suscite aux municipalités qui ont ainsi à faire face à un double mouvement: le développement de l'industrie qui a ses exigences légitimes et raisonnables et l'accroissement de la population qui, de son côté, a des exigences non moins légitimes et non moins raisonnables.

Dans un aussi bref exposé des questions complexes qui se posent à l'attention des administrateurs municipaux, on ne peut faire plus que de signaler les principaux problèmes résultant des conditions actuelles et futures de l'urbanisation et de l'industrialisation.

Il y a d'abord les problèmes de vaste portée et qui n'ont absolument aucun caractère local : ce sont ceux que créent les diverses politiques des gouvernements supérieurs. Un des exemples les plus notoires et des plus actuels de ce genre de problèmes est celui de la canalisation du St. Laurent. Ce n'est évidemment pas le premier de cette espèce ni le dernier, nous en sommes bien persuadés, mais c'est l'un de ceux qui peut avoir le plus de répercussions sur les structures municipales, même si ces répercussions sont indirectes, et même si elles sont

par conséquent plus difficiles à prévoir. Il est indiscutable que ce vaste projet, une fois réalisé, va profondément affecter toute l'économie canadienne et plus directement toute l'économie de la vallée du St-Laurent, du Golfe à la tête des Grands Lacs. On ne transforme pas aussi profondément une voie de transport aussi importante et on ne multiplie pas à ce point l'énergie près de centres déjà fortement industrialisés et assez densément peuplés, sans créer de vastes mouvements de population et d'industries, sans aussi probablement changer l'orientation et les formes mêmes du progrès industriel. Or, à qui, dans les circonstances, appartiennent les décisions majeures? Qu'ont à dire les dirigeants municipaux à propos de ces aménagements gigantesques et probablement révolutionnaires, sinon autre chose que le citoyen ordinaire qui, s'il règle ses discours sur la canalisation à la mesure des connaissances qu'il en possède, demeurera muet pour toute sa vie. Cependant, étant donné notre formule canadienne d'administration territoriale, ces industries nouvelles, ces vastes courants de population vont naître et vont se développer à l'intérieur de territoires qui seront des municipalités. Créeront-ils des difficultés à ces municipalités? Il appartient évidemment à leurs administrateurs de s'inquiéter; mais ceci n'appartient-il qu'à eux? N'ont-ils pas, au moins, le droit, s'ils ont à se trouver dans des situations embarrassantes ou à supporter des fardeaux que l'on peut craindre trop lourds, à être renseignés, à être mis au courant non pas comme monsieur tout le monde, mais comme des partenaires responsables du bien public?

On est peut-être trop facilement enclin à croire, monsieur

le président, que parce que les corps municipaux sont des corps subordonnés, ils sont aussi des institutions mineures? C'est là malheureusement commettre une sérieuse erreur et bien mal comprendre le fonctionnement de notre mécanisme démocratique.

Dans cet ordre de problème, d'une aussi vaste envergure, il y a ceux qui dépendent des décisions gouvernementales quant à l'exploitation de nos ressources naturelles. Là encore les dirigeants municipaux, même s'ils ont à affronter des déséquilibres sérieux de population, des croissances désordonnées d'industrie, restent impuissants et ne peuvent très souvent que demeurer passifs. Ils sont, à l'heure actuelle, totalement étrangers à des décisions qui peuvent aussi bien entraîner la naissance spontanée de villes dans le voisinage de municipalités existantes, avec tout un cortège de problèmes industriels nouveaux que provoquera l'aménagement technique, économique et social de toute une région neuve, qui pourra créer à la région voisine elle-même déjà autrement organisée, des problèmes nombreux qu'elle peut être incapable de résoudre.

Bien entendu, il nous est difficile, monsieur le président, de risquer des pronostics dans ce vaste champ des décisions gouvernementales où, à leur insu ou sans qu'ils aient à y prendre part, les administrateurs municipaux peuvent être engagés. Il reste que nous ne pouvons être indifférents à ces programmes qui peuvent sans doute être fort profitables à nos populations, mais aussi, si on n'y prend garde, préjudiciables aux ressources de nos municipalités.

Si nous nous attachons maintenant à définir la nature et

l'ampleur des besoins suscités par le mouvement d'urbanisation et d'industrialisation dont nous sommes les témoins et les acteurs depuis quelques années et qui, semble-t-il, ne pourra, malgré quelques arrêts et peut-être même quelques reculs, que s'accélérer avec la vigueur accrue d'un pays jeune et en pleine expansion, nous pouvons nous demander ce que devra être l'effort de nos municipalités. Nous n'avons pas l'intention, Messieurs les commissaires, d'évaluer dans ce document que nous vous présentons aujourd'hui, la somme des déboursés et des investissements que les municipalités seront appelées à faire d'ici vingt ans; nous voulons seulement vous dire dans quels champs, à notre avis, les municipalités, par suite des conditions actuelles, devront déployer leur plus grande activité.

D'abord l'instruction publique :

Considérons, en premier lieu, le domaine de l'instruction publique; étant donné que cette fonction est étroitement associée au mouvement démographique, on peut escompter qu'elle sera encore l'objet d'un assez vaste développement, d'autant plus qu'on est loin d'avoir atteint dans toutes nos localités le degré désirable d'instruction primaire, et d'autant plus aussi qu'une assez forte tendance paraît vouloir se dessiner en faveur de l'introduction d'une partie de l'enseignement secondaire dans les écoles publiques.

- b) Services municipaux d'aqueduc, d'égouts et de protection contre l'incendie.

Au témoignage des administrateurs concernés, bon nombre

de nos municipalités rurales, dont plusieurs sont en voie d'urbanisation ou encore doivent répondre aux besoins d'industries nouvelles, ne possèdent pas les services adéquats d'approvisionnement en eau pour les besoins domestiques ou industriels ou encore pour assurer une protection efficace contre les incendies; beaucoup d'entre elles qui jusqu'ici, par suite de la dispersion de leurs habitants sur de vastes étendues, n'avaient pu organiser un service municipal d'égouts, se voient maintenant dans l'obligation, du simple point de vue hygiénique, de construire un système d'égouts qui souvent, à cause de difficultés techniques dues à la configuration et à la nature du terrain et dues aussi à la faible densité de peuplement du territoire, peut s'avérer d'un coût assez élevé.

D'ailleurs, cette situation n'est pas exclusivement celle de municipalités rurales; on la retrouve dans plusieurs localités de nos grandes banlieues qui, presque du jour au lendemain, sont passées de la condition de petits centres ruraux à celle de centres urbains en rapide expansion. C'est aussi celle de petites villes ou de gros villages où l'accroissement de la population et le développement industriel se sont faits ou sont en train de se faire en une poussée puissante. De même des centres plus importants, retardés dans leurs travaux publics par les années de dépression et par la guerre ou pressés par une forte augmentation de leur population et de leur activité industrielle, ou ne possédant pas les ressources locales suffisantes, n'ont pas encore réussi à organiser de façon satisfaisante leurs principaux services publics, qu'ils seront appelés, dans plusieurs cas, à développer davantage s'ils veulent maintenir ou pousser leur développement économique.

c) Voirie

Même si le gouvernement provincial décide de participer plus qu'il ne l'a fait jusqu'ici, au financement et au coût d'entretien de la voirie locale, beaucoup de municipalités devront investir des sommes importantes dans la construction de voies nouvelles et dans l'amélioration des rues existantes, par suite de l'agrandissement de leur territoire habité et par suite de l'intensification du trafic.

d) Aménagement du territoire et habitation

A l'exception des villes les plus importantes, la plupart des municipalités n'ont pas eu jusqu'à maintenant à consacrer beaucoup d'argent à un aménagement de leur territoire, en vue de développement domiciliaire, commerciaux et industriels; il nous paraît inévitable qu'elles devront de plus en plus faire des déboursés considérables pour répondre de façon satisfaisante et rationnelle à ces besoins nouveaux, déjà visibles en beaucoup d'endroits.

En outre, la réfection des vieux quartiers et l'assainissement des quartiers insalubres, dans les grandes villes ou dans les vieux centres, exigeront des sommes difficiles à évaluer avec précision mais qui nous semblent devoir s'avérer comme considérables au fur et à mesure que les années s'écouleront et que la densité du peuplement urbain augmentera.

Avec l'occupation de plus en plus considérable des

territoires municipaux, avec l'amélioration du standard de vie et avec l'augmentation des heures réservées au repos et aux loisirs, il semble bien que les municipalités urbaines, surtout celles qui posséderont une assez forte proportion de population ouvrière ou de locataires, se verront obligées, pour assurer le bien-être de leurs habitants, de faire des investissements de plus en plus considérables dans les services communautaires de loisirs et devront consacrer une portion de plus en plus importante de leurs revenus au maintien et au développement de ces services.

Je vais demander à monsieur Simard de remercier messieurs les commissaires pour finir.

M. Simard :

Et je vous remercie, monsieur le président, messieurs les commissaires.

Alors, nous terminons ici cette énumération, M. le président, conscients de n'avoir pas parlé de tous les sujets pouvant préoccuper les administrateurs municipaux et conscients surtout d'avoir fait un exposé trop schématique en même temps que trop imprécis de nos principaux problèmes. C'est pourquoi nous avons manifesté le désir d'en faire une étude plus détaillée dans un mémoire que nous voulons vous livrer plus tard. Ce document vous sera sans doute plus utile, même s'il reste imparfait et incomplet, à cause de l'ampleur de son sujet et par suite du trop court temps qu'il faudra y consacrer. Néanmoins même si cette étude ne possède pas les caractères d'un véritable travail scientifique,

elle aura l'avantage de vous faire connaître, d'une façon plus claire et plus précise, l'opinion de l'Union des Municipalités de la province de Québec, opinion qui reflétera l'expérience de ses membres et qui s'appuiera dans une large mesure sur d'importants travaux que depuis plus de deux ans nous avons pu poursuivre au sein de notre association.

Comme nous, vous devez être convaincus que la solidité et la prospérité de nos institutions municipales sont des conditions essentielles aux progrès économiques de notre pays, au développement harmonieux de son organisation sociale et à la préservation et à l'amélioration du bien-être de tous ses citoyens.

En terminant, M. le président et Messieurs les commissaires, nous tenons à vous remercier d'avoir bien voulu connaître notre point de vue sur les questions municipales, et nous désirons vous réitérer nos félicitations et nos meilleurs vœux. Nous souhaitons aussi que vos travaux et vos recommandations rendent plus facile à tous nos gouvernants la lourde tâche d'orienter, dans l'harmonie des divers intérêts en présence et dans une juste répartition des ressources disponibles, les destinées de notre pays.

Je vous remercie, monsieur le président et messieurs les commissaires.

M. Lussier :

Nous avons déjà eu des mémoires présentés par le maire de Montréal et le maire de Québec, mémoires qui nous parais-

sent assez complets et qui ont fait ressortir les besoins de ces deux grandes municipalités de la province.

Alors, je ne reviendrai pas sur ces municipalités-là. Nous devons nous occuper également des municipalités en dehors de la ville de Montréal.

L'abondance de chiffres que vous nous avez donnés est imposante, cependant je vous admets que je les aurais mieux compris, si vous aviez pu nous donner la répartition de ces dettes per capita, en fonction des populations qui s'augmentent pour nous donner des chiffres globaux seulement.

M. Martin :

Ca peut se faire assez rapidement; je ne l'ai pas ici malheureusement.

M. Lussier :

Maintenant, l'industrialisation et l'urbanisation se fait par une augmentation de population. Alors, conséquemment, on doit en déduire que la propriété taxable doit s'augmenter en proportion aussi.

M. Martin :

Oui.

M. Lussier :

Là aussi, il y a lieu de mettre en lumière quelle serait l'augmentation réelle de la taxation.

M. Simard :

De la valeur taxable?

M. Martin :

Ce serait extrêmement difficile à établir.

M. Lussier :

Vous comprenez que c'est important quand même.

M. Martin :

Dans aucune statistique, on ne vous fournit le nom d'unités taxables. Ce sont des augmentations globales. On peut avoir les augmentations globales par municipalité, mais on ne sait pas combien l'évaluation par unité est taxable, a pu augmenter; c'est absolument impossible.

Nous avons essayé de faire ça dans d'autres travaux antérieurs, et nous avons dû nous avouer impuissants après plusieurs semaines de travail, pour pouvoir définir de cette façon l'accroissement de taxation.

M. Simard :

En totalité, ça ne fait pas? Ca prendrait par unité?

M. Lussier :

Voici, vous avez une augmentation à la population dans une municipalité; vous avez eu des augmentations?

M. Martin :

On pourrait avoir l'évaluation per capita, par exemple.

M. Lussier :

Oui, c'est ça.

Me C. N. Dorion :

Des fois, ça dépend du changement dans le rôle d'évaluation; certaines municipalités ont évalué à un très bas taux, et à un moment donné, deux ans après, ils évaluaient à la valeur marchande. Il y a des changements dans ce domaine-là aussi.

M. Lussier :

Au chapitre d'évaluation, est-ce que l'évaluation est assez uniforme dans la province?

M. Simard:

Elle est uniforme avec un gros pourcentage, seulement actuellement, depuis une couple d'années surtout, depuis dernièrement, il y a une tendance à un réajustement à la valeur réelle, et même actuellement, nous avons cinq ou six villes qui ont passé en liste et monté leur évaluation à la valeur réelle.

L'union des municipalités fait beaucoup de publicité, et elle essaie de faire de la propagande, une éducation des gens pour les faire comprendre qu'il faut augmenter l'évaluation.

M. Pratte :

La loi demande la valeur réelle.

M. Lussier :

Oui, il y a très longtemps qu'elle demande ça.

Vous mentionnez comme étant une des charges impor-

tantes que doivent rencontrer les municipalités, les contributions dites du bien-être social. Est-ce que vous pouvez nous donner quel est le rapport d'augmentation qu'il y a au sujet de la durée, le nombre d'années?

M. Martin :

Pour le nombre d'années, oui, je vais vous donner ça: par exemple, j'ai fait un tableau que je n'ai pas reproduit ici, mais qui est censé être dans le mémoire qui vous sera soumis de façon plus complète. En prenant 1947 comme 100, par exemple, le bien-être social, je l'ai divisé, je ne l'ai pas pour l'ensemble des municipalités, je l'ai par secteur, c'est-à-dire Montréal et autres municipalités satellites, autres municipalités urbaines et municipalités rurales.

M. Lussier :

Voulez-vous donner surtout urbaines et rurales?

M. Martin :

En 1947 égale 100 : 1954, en était rendu à 295.5.

M. Lussier :

La contribution municipale au point de vue social?

M. Martin :

Oui, c'est ça, et dans les municipalités rurales, ça n'avait pas changé, c'était resté au même niveau.

M. Lussier :

C'était resté au même niveau?

M. Martin :

Au même niveau.

M. Lussier :

Pourquoi ce changement aussi grand dans les municipalités?

M. Martin :

C'est justement là un phénomène qui est relié étroitement au mouvement démographique.

Lors de l'accroissement des populations dans les municipalités qui n'étaient pas urbaines, il y a dix ans, si tout-à-coup - ils ont fait de l'industrialisation, ont vu leur population s'accroître, et n'étant pas préparés à recevoir une augmentation si rapide de population, le développement s'est fait de façon désordonnée et très souvent ces nouveaux arrivés sont des gens qui viennent des milieux ruraux, non préparés à s'engager dans l'industrie, des manoeuvres qui par conséquent sont très exposés à des chômages saisonniers qui n'ont pas les revenus suffisants pour se construire, ou enfin trouver une habitation convenable.

Ce qui se produit, c'est que les résidences s'érigent avec une très grande rapidité. Ces populations nouvelles n'ayant pas les ressources, et n'ayant pas les services communautaires, ne sont pas en mesure de faire face au coût accru de loyer, des différentes taxes qu'ils ont à payer et alors, on les voit également très souvent forcées à des chômages saisonniers ou fonctionnels, ils deviennent des

fardeaux d'assistance publique, et au fur et à mesure que les populations ouvrières non préparées d'origine rurale envahissent des territoires qui ne sont pas préparés à recevoir ces populations-là, on voit grossir très rapidement le taux d'assistance publique, par exemple le taux de la protection pour la jeunesse, et c'est dans ces secteurs - c'est une partie de l'explication, et l'autre partie de l'explication est encore par le secteur lui-même, à part ça, le secteur doit supporter en plus les augmentations rapides et successives des taux d'assistance, et depuis 1947 il y a eu quelques six ou sept ajustements de taux d'assistance; les taux d'assistance ont fait plus que doubler depuis dix ans, c'est ce qui explique - ce sont les principaux facteurs qui expliquent que dans ces autres municipalités urbaines en dehors de la région de Montréal, vous avez vu s'élever avec autant de rapidité ces dépenses de bien-être qui sont un phénomène relié à la démographie et relié à un manque de préparation suffisante à recevoir l'industrialisation et les populations qui accompagnent l'industrialisation.

Me C. N. Dorion :

Il y a une inflation dans ce domaine-là comme dans les autres domaines.

M. Lussier :

Il paraît y avoir surtout de l'inflation dans les exigences.

M. Martin :

Je ne suis pas prêt à dire ça, je pense bien - il est difficile - ça dépend du point de vue où l'on se place.

Si on se place en face des exigences impérieuses, c'est-à-dire les exigences auxquelles les gens ne peuvent échapper, d'accord, ils sont réduits à un point où ils ne peuvent pas échapper.

Quand un individu est père de famille, qu'il est privé de son gagne-pain, voit après des mois et des mois que l'assurance-chômage s'épuise, souvent il tombe malade parce que placé dans des conditions où il n'est pas habitué, il faut absolument accepter que cet individu devienne sujet à l'assistance publique. Il n'y a pas à y échapper.

Les contrôles sont quand même assez sévères, je peux dire, monsieur le commissaire, que les municipalités s'efforcent à faire faire des enquêtes et à se renseigner de la façon la plus parfaite possible sur la condition des assistés, et lorsque les administrateurs ne peuvent pas se rendre compte que les gens d'après eux avaient un besoin réel, ils se sont opposé avec fermeté, pas toujours avec succès, mais avec fermeté.

M. Lussier :

Est-ce que cette grande migration rurale vers les villes est justifiée, ou s'il y a là une espèce d'infiltration qui pourrait être corrigée de quelque façon?

Me C. N. Dorion :

Elle est généralement justifiée.

M. Simard :

Pas cent pour cent.

Me Dorion :

Pas cent pour cent, dans une proportion de quatre-vingt-dix pour cent.

M. Martin :

Je pense qu'il faut prendre pour acquis, sur une base d'hypothèse si vous voulez, que le mouvement naturel des gens est en banc.

Si un individu qui est sur une terre, et qui appartient à une famille de dix garçons, et que la terre a à peine cent acres, il devient extrêmement difficile à ce moment-là pour les dix garçons de se tailler un lopin à l'intérieur des cent acres, et d'y faire leur vie de façon honorable.

Or, à côté, très souvent la localité n'offre pas d'autres ressources. Qu'est ce qui reste à ce surplus de population rurale qui ne trouve pas sur les lieux memes l'occasion de gagner sa vie ? Il reste à émigrer, et on émigre vers les endroits où on croit trouver des occasions de travailler, où pas nécessairement on les trouve, mais où on croit les trouver.

M. Lussier :

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Me C. N. Dorion :

On dirait qu'au lieu de les centraliser, il faudrait qu'ils soient diversifiés.

M. Martin :

Le déséquilibre industriel est certainement un des problèmes les plus sérieux à envisager. Maintenant, est-il inévitable ou est-il évitable ? Ça, nous n'avons pas encore suffisamment de données pour nous prononcer.

M. Lussier :

Je pense bien qu'on n'aura jamais de contrôle là-dessus.

M. Martin :

Il peut y avoir une certaine orientation du développement économique sans qu'il soit absolu. Or, il peut quand même y avoir une certaine orientation par l'enseignement, par le jeu de la politique des gouvernements; les gouvernements peuvent créer des occasions d'investissement dans des territoires qui jusqu'ici n'avaient pas été exploités, et ceci peut changer la configuration générale du développement.

M. Lussier :

Est-ce que ça serait une amélioration à votre point de vue ?

M. Martin :

Je le crois. Bien, il est toujours odieux de faire des comparaisons, et on dirait des comparaisons trop drastiques, mais il reste qu'il nous semble que le développement mieux équilibré industriel, provoqué par toutes sortes de facteurs qui souvent ont échappé au contrôle même des gouvernants, eh bien, apparaît certainement

comme base de maux, de problèmes à travers toute cette province; que le développement assez peu rationnel qui s'est produit à travers la province, là encore soit l'effet de circonstances que les gouvernements étaient incapables d'empêcher.

M. Lussier :

Il apparaît aussi qu'une des grandes causes des charges municipales, d'après votre mémoire, c'est surtout les questions scolaires.

M. Martin :

Ah oui.

M. Lussier :

Maintenant, vous avez mentionné que le gouvernement de la province a racheté une partie des dettes obligataires il y a quelques années, il y a à peine quelques années, et que depuis les dettes obligataires sont, je dirais, plus considérables qu'elles ne l'étaient quand on en a fait le rachat.

M. Martin :

Ah oui, bien sûr.

M. Lussier :

Est-ce que c'est parce qu'on a exigé plus de luxe dans la construction des écoles?

Me C. N. Dorion :

Non, on a

M. Lussier :

Ou est-ce dû à l'augmentation du nombre d'écoles?

M. Simard :

C'a été causé par le besoin; nous étions un peu en retard, alors il a fallu y voir à cause de l'accroissement de la population.

M. Lussier :

Est-ce que le gouvernement ne contribue pas pour la construction des écoles? Le gouvernement provincial?

M. Simard :

Oui, dans une large mesure.

M. Martin :

Je suis très heureux que vous souleviez cette question-là, parce que dans les chiffres que je vous ai donnés, évidemment, on ne peut pas tenir compte de la participation à l'amortissement de ces dettes, qui est garanti aux commissions scolaires, parce qu'en somme la participation à l'amortissement des dettes se fait, dans la province, se fait annuellement.

Ce que nous vous donnons, c'est la partie qui, à sa face, doit être supportée par les commissions scolaires. Il se peut que la province de Québec en assume soixante pour cent.

M. Simard :

La situation va aussi changer parce que le gouvernement fait encore l'application de cinquante pour cent des dettes; alors,

ça va changer encore actuellement.

M. Lussier :

Alors, de période en période, les municipalités scolaires sont en droit d'attendre que le gouvernement s'améliorera.

M. Martin :

Peuvent avoir l'espoir; je ne sais pas si nous pouvons dire qu'elles sont en droit.

M. Lussier :

Bien, elles sont en droit, la tradition continue à s'établir.

Vous nous parlez aussi de dettes municipales qui se rapportent aux services rentables. Est-ce que ces services rentables qui sont établis par les municipalités, est-ce qu'on n'y voit pas justement, dans le rendement de ces services-là en frais et en capital et l'entretien?

M. Martin :

D'une façon générale, du capital, oui. De l'entretien, c'est moins certain, mais on peut dire que le remboursement est certainement couvert par ce qu'on appelle à mon point de vue, et je parle en mon nom personnel ici, - ce qu'on appelle faussement des taxes. C'est plutôt le prix d'un service que l'on exige en général, lorsque l'on vend de l'eau à des citoyens dans une localité, parce que ces services publics rentables sont surtout composés des systèmes d'aqueduc. Il y a quelques services de distribution d'électricité, mais

c'est surtout fait des systèmes d'aqueduc.

Alors, j'ai l'impression très nette, après avoir fait une étude un peu spéciale de ce problème, que les municipalités pourraient accroître sans trop de danger, et surtout en les séparant véritablement des taxes réelles le coût de ces services.

Evidemment, quelle est la norme qui doit fixer le prix des services de cette nature? Il est difficile de l'établir. L'important, c'est que la municipalité n'exige pas un prix de service tellement élevé qu'il menace le bien-être de la collectivité.

M. Lussier :

Sans doute, mais est-ce que précisément dans ces services-là, le premier souci de la municipalité qu'elles établissent ne devrait pas prendre en considération tout ce qu'elle peut retirer des usagers.

M. Martin :

Il me semble.

M. Lussier :

C'est à-dire, établir une finance basée sur un revenu, tout comme un homme d'affaires peut le faire, et doit le faire.

M. Martin :

Ce serait normal. Dans l'ensemble, on peut dire que depuis les dix dernières années, les municipalités ont agi

comme ça, parce que toutes dépenses payées, amortissement et frais d'entretien - je ne sais pas pour toutes les municipalités de la province - a augmenté à environ quatre millions de dollars de revenus nets moyens. Mais j'ai l'impression que ce n'est pas suffisant. Ça pourrait être plus, mais tout dépend de la situation de chaque municipalité, dans ce cas-là.

M. Lussier :

Quant au service de voirie, bien celui-là ...

M. Martin :

La Voirie est extrêmement dispendieuse.

M. Lussier :

Est-ce que vous croyez que les gouvernements provinciaux devraient participer au service de voirie?

M. Simard :

Ils y participent dans une faible proportion, parce que dans chaque ville on considère certaines rues comme routes régionales. Alors, ils y participent dans la fabrication ou réparation de ces rues-là. Ça comprend un faible pourcentage.

M. Pratte :

Pas pour les cités et villes.

M. Simard :

Ils le font dans quelques petites villes, en pratique.

Me C. N. Dorion

Dans certaines cités et villes d'une population de moins de 5,000.

M. Lussier :

A Courville, par exemple, est-ce qu'ils ne le font pas ?

Me C. N. Dorion :

C'est une question de relativité.

M. Martin :

Ou de beaucoup de relations ?

M. Lussier :

En somme, après avoir écouté ce mémoire, qui est très bien fait, j'ai résumé le mémoire puisque vous en annoncez un autre pour suppléer, pour le compléter.

Je me suis demandé à la fin qu'est ce que vous voulez avoir ? De l'argent ? Et comment l'avoir ?

Vous n'avez pas de suggestion de ce côté-là ; il n'y a aucune suggestion dans votre mémoire qui nous dit de quelle façon on pourrait résoudre vos problèmes.

M. Martin :

Monsieur le président, je ne voudrais pas me prononcer au nom des membres de l'Union des municipalités ; je n'ai pas la compétence pour le faire, ni le droit de le faire, mais je pense qu'on doit prendre pour acquis que les municipalités dans toutes les provinces

ne peuvent pas, en vertu de la constitution même, s'adresser directement au gouvernement central pour leur demander de leur venir en aide.

L'Union des municipalités a comparu devant la Commission Gordon pour essayer d'apporter sa contribution aux calculs que vous aurez à faire pour établir les perspectives en ce qui concerne les besoins globaux du territoire canadien, et c'est uniquement dans ce but que l'Union des municipalités s'est présentée devant vous, et non pas dans le but de vous demander à vous, qui êtes une commission fédérale, d'intervenir auprès du gouvernement qui vous a nommés pour venir en aide aux municipalités. Ceci relève des gouvernements provinciaux.

Par ailleurs, s'il est facile quand même d'exposer des problèmes municipaux moyens, je crois que quant à votre commission, un problème qu'elle n'aura peut-être pas à considérer, mais qu'elle aura peut-être aussi à considérer, c'est celui de la répartition équitable de toutes les choses publiques à travers le pays; et en même temps, en faisant l'analyse de ces besoins, pouvoir déterminer comment devrait se faire une répartition équitable des ressources taxables.

M. Lussier:

Précisément, à la suite de vos remarques, étant donné

Me C. N. Dorion :

Etant donné nos besoins, évidemment.

M. Lussier :

Oui, étant donné vos besoins, et surtout des perspectives d'avenir, est-ce qu'il ne serait pas possible pour vous de nous donner une idée des besoins, je dirais, des capitaux municipaux pour d'ici vingt ans, par exemple; ceci pour pouvoir évaluer, à la Commission, quelle est la nature des besoins sociaux, des besoins municipaux, des capitaux sociaux dans tout le pays. Nous n'avons pas à faire une répartition du point de vue taxable, mais on fait un inventaire des besoins, un inventaire aussi des ressources.

M. Martin :

Justement, à ce propos, nous l'indiquons dans notre résumé ici. Nous avons la bonne fortune d'avoir un certain nombre de statistiques assez complètes qui nous permettent précisément de faire des projections mutatis mutandis pour les vingt ou vingt-cinq prochaines années, pour ce qui concerne l'ensemble du territoire municipal de la province de Québec.

M. Lussier :

Maintenant, est-ce que les municipalités ont des charges considérables qu'elles dérivent par l'entretien des hôpitaux, ou constructions d'hôpitaux dans la province de Québec?

Me C. N. Dorion :

Non.

M. Simard :

Indirectement oui, parce que ces gens-là sont exemptés de taxes, et il faut leur donner des rues, je crois, ils nous amènent des taxes précisément à cause de tous ces services publics que nous leur donnons, et par l'exemption de taxes.

Me C. N. Dorion :

Et indirectement aussi par l'Assistance Publique. Nous les payons pour les malades qui vont dans les hôpitaux.

M. Lussier :

Oui, indirectement, c'est parfait; mais je voulais parler directement.

M. Martin :

Directement, je crois, à ma connaissance, il n'y a que deux municipalités qui se sont présentées d'ailleurs devant vous, qui peuvent avoir des fardeaux directs à cet égard: Ce serait la ville de Montréal et la ville de Québec.

THE CHAIRMAN :

Thank you very much Mr. Simard. I would like to congratulate you all on the way you have presented this. It is very well done.

I would also like to thank you for the suggestion that you would be willing to submit a further statement in about two months' time which we will gratefully accept when that time comes.

THE CHAIRMAN: Mr. Simard, I can assure you that all the members of this Commission are conscious of the problems and the difficulties of the municipalities across the country. Next week we will receive the submissions from the Federation of Canadian Mayors and Municipalities and I hope we will see you all there or some of you and as Mr. Lussier said, we have received some very helpful briefs from a number of the Mayors of some of the cities across Canada including the very excellent submissions of the Mayor of Toronto and the Mayor of Montreal.

We are most grateful to you for this presentation and we will look forward to the supplementary submission in two or three months. Thank you very much.

--- Recess

--- After Recess

Well, shall we come to order, gentlemen?
Mr. Martin, I think if you would start off by introducing your colleagues, we will get their names on the record. We will mark your submission Exhibit 213.

M. Roméo Martin :

Monsieur le Président, messieurs les Commissaires, je voudrais tout d'abord remercier votre Commission d'avoir invité le Conseil de la coopération à participer à cette enquête et vous exprimer notre regret de n'avoir pu vous soumettre un rapport comme celui que nous aurions aimé, faute de temps et de personnel, et je vous indique tout de suite - je vous donne tout de suite la preuve de ceci en vous présentant le personnel du conseil qui est au complet ici : D'abord, monsieur Bérubé, le secrétaire général, monsieur Côté, le trésorier, monsieur Marcotte qui est le rédacteur de notre journal mensuel.

Ils ont fait de leur mieux - nous avons fait notre mieux pour vous soumettre ceci, et je voudrais aussi vous présenter quelques uns des représentants qui sont ici : Il y a d'abord un groupe de la Mutuelle-Vie, Me René Paré, monsieur Poznanski qui était ici il y a un instant, et monsieur Robitaille, monsieur Lacerte, monsieur Mercure, monsieur Savard et monsieur Gariépy.

Et ensuite, des Mutuelles-Incendie, monsieur Pérusse, et nous avons ensuite dans les Pêcheurs Unis, monsieur Trottier et monsieur Bernier, et ensuite des coopératives d'habitations, monsieur Côté, et dans les coopératives agricoles, monsieur Bourdon et moi-même.

Le conseil de la coopération est un organisme qui essaie de grouper toutes les coopératives de la province dans le but de coordonner leurs activités, assurer la défense de leurs intérêts et propager l'idée de la coopération, c'est-à-dire l'idée de l'entraide et de la collaboration.

Le mémoire que vous avez devant vous comporte une introduction et deux parties: la première traitant - donne un aperçu historique, et la deuxième parle des perspectives d'avenir et conclusion avec quelques appendices.

Avec votre permission, je vais abrégé autant que possible la lecture de ce mémoire-là.

En introduction, nous soulignons que le groupement que nous représentons intéresse un million de personnes dans la province, qui se recrutent au sein des classes populaires et moyennes, et que ces personnes administrent des entreprises économiques qui possèdent quatre cent vingt cinq millions de dollars de capitaux, - ceci est dans l'introduction, - et qui se sont groupées pour satisfaire des besoins, besoins divers: L'organisation de la production primaire, de la finance, sécurité, et besoin de certains autres services; et que ce million de personnes est groupé en 2,250 coopératives, et que ces mêmes unités locales possèdent pour la plupart leur fédération, ainsi qu'une organisation qui s'appelle le conseil de la fédération, dont je vous ai dit un mot.

Nous soulignons en page 2 que ces coopératives jouent

un rôle économique et social dont l'importance dépasse l'expression purement mathématique de leurs résultats parce qu'elles permettent l'intégration harmonieuse des préoccupations et des valeurs démocratiques et humaines dans la poursuite de certaines opérations économiques, et nous démontrons que tous les progrès de la vie économique qui s'accomplissent dans la vie économique canadienne n'atteignent vraiment leur but que lorsque réellement elles servent à élever le standard de vie de toute la population, et d'assurer la paix sociale.

Je passe rapidement sur l'historique pour signaler toutefois que ce sont les Mutuelles Incendie et les Mutuelles-Vie qui apparaissaient les premières, suivies des coopératives agricoles, et que ce n'est en réalité que vers 1920 qu'on assiste à un effort véritable d'intégration dans le domaine agricole et dans celui des caisses populaires, et la dépression économique de 1930 amène tous ceux qui s'intéressent au sort de la population québécoise, - ceci en page 3, troisième paragraphe, a proposé la formule coopérative comme un des remèdes fondamentaux à la situation. Et c'est là que l'idée coopérative prend un prestige considérable, et qu'on voit naître d'autres formules - des formules autres que celles employées dans l'industrie ou l'agriculture.

Il y a par exemple des coopératives forestières que monsieur Lussier, pour un, connaît très bien.

Le mouvement coopératif, qui d'abord apparaît comme

une réaction de défense, devient véritablement une forme d'entraide et de regroupement des communautés surtout rurales et urbaines aussi dans certains secteurs, mais surtout rurales.

Il est devenu aujourd'hui principalement dans les secteurs que je vous ai mentionnés une force économique positive, et en page 4, vous avez une indication des caractères principaux de la coopération, et je voudrais signaler ici en particulier deux de ses caractères: C'est que la coopérative réunit la notion de l'entrepreneur et celle de l'usager; et aussi souligner le rôle qui est dévolu au capital dans la coopérative, qui n'est qu'un instrument à qui on paye, et pas toujours, un intérêt.

Nous reviendrons sur cette question un peu plus loin dans le mémoire.

Et que les différents secteurs de la coopération, en plus de mieux satisfaire les besoins des unités locales, ont créé un secteur fédératif ou des fédérations où chaque unité supérieure ou fédération est réellement possédée et contrôlée par les unités inférieures, c'est-à-dire les groupements locaux.

Dans les objectifs recherchés par les coopérations, nous soulignons que les principes qui sont à sa base, et les moyens qu'elles mettent en oeuvre, l'institution coopérative a été et sera probablement davantage à l'avenir un instrument de stabilisation économique, une école de perfectionnement technique, et un facteur de

progrès social.

Nous soulignons que les coopératives reposent ou font appel à l'effort personnel, et c'est l'un de leurs caractères essentiels et fondamentaux, comme l'un des moyens, l'une des indications établissant leur réelle valeur, et que le mouvement coopératif introduit dans le domaine des affaires des préoccupations démocratiques et sociales.

Dans les perspectives d'avenir, nous indiquons d'abord les modalités de la contribution coopérative. Nous croyons que le mouvement coopératif sera dans l'avenir aux mains des classes laborieuses, un moyen de plus en plus efficace de consolider leur position économique, leur permettant de s'adapter plus facilement aux conditions changeantes d'une économie en développement, et bénéficier plus pleinement des avantages du progrès moderne.

Le mouvement coopératif offre en effet aux gens à revenu modeste d'accéder à la propriété et au contrôle d'entreprises économiques variées selon une formule adaptée à leurs moyens. Cette dissémination de la propriété et du contrôle d'entreprises économiques est très précieuse, peut-être chez-nous plus que partout ailleurs, à cause précisément de notre manque de traditions dans ce domaine. Nous croyons qu'il n'est pas indifférent pour l'avenir de notre économie qu'un quart ou plus de nos gens soient les propriétaires et les administrateurs d'entreprises économiques nombreuses qui sont près

de leurs préoccupations de tous les jours, et qui travaillent sans réticence à la satisfaction d'un ou plusieurs de leurs besoins économiques.

Les institutions qui le composent joueront le rôle d'entreprises témoins et introduisant un élément de saine concurrence dans certains secteurs de notre vie économique. Cette concurrence originale sera pour nos classes populaires la meilleure garantie d'obtenir pour leurs produits, et de payer pour les biens et services nécessaires à leurs besoins des prix aussi justes que possible.

En permettant au peuple de participer de façon directe et intelligente aux décisions économiques, et particulièrement à celles qui le touchent de plus près, le mouvement coopératif constitue un secteur démocratique à l'intérieur de l'économie. En tant que tel, son rôle apparaît de plus en plus important à mesure que dans une économie de plus en plus centralisée, les décisions sont prises par un nombre de plus en plus restreint d'individus.

En page huit, je souligne quelques aspects particuliers.

Fondées sur les besoins, c'est en fonction d'eux que les institutions coopératives continueront de se développer et de contribuer au progrès général. Sans entrer dans les détails, voici quelques domaines particuliers dans lesquels les besoins nous semblent les plus caractérisés :

Production primaire : Les producteurs primaires

(cultivateurs et pêcheurs en particulier, de même que les forestiers dans certains cas) ont été affectés considérablement par l'évolution économique des dernières années. Leurs exploitations ont subi l'influence et même la concurrence des autres industries. Leur importance économique relative décroît; leur nombre est à la baisse. De plus en plus, ils dépendent des marchés nationaux et internationaux.

Cela implique une transformation complète de perspectives et d'attitudes de leur part. Ils doivent être une élite de véritables hommes d'affaires pour se faire un revenu raisonnable et bénéficier des avantages de l'ère d'industrialisation et de prospérité actuelle. Ils doivent de plus en plus se préoccuper des problèmes d'investissement et de rentabilité. Ils doivent analyser de plus en plus chacune de leurs opérations, en assurer l'équilibre et les rendements, faire des budgets et des bilans, en d'autres termes administrer leur exploitation comme une véritable entreprise. Quand on sait les implications techniques et scientifiques de chacune des productions, on comprend le besoin d'informations pratiques et de directives sûres qu'ont présentement les producteurs.

Pour conduire efficacement leurs coopératives, les producteurs doivent acquérir tout un ensemble de données administratives, financières et techniques, dont il se trouve qu'ils ont justement un très grand besoin pour la conduite efficace de leur propre entreprise. Il leur faut également acquérir une discipline de plus en plus rigide dans la conduite de leurs opérations, et il se trouve,

que leurs coopératives leur demandent de plus en plus, pour les biens servir, cette même discipline.

De plus par leur organisation coopérative, ils font, à tous les échelons, l'effort constructif et bâtissent la puissance économique propre à leur donner justice. Enfin, ils appliquent, complètement et rendent plus fructueuses les politiques établies pour leur éviter d'être étouffés par des coûts de revient grandissants et des prix de vente à la baisse.

Dans cette perspective, le mouvement coopératif remplit déjà et remplira à l'avenir un rôle irremplaçable dans l'organisation de la production **p**rimaire.

Finance et sécurité : Les institutions coopératives mises sur pieds dans ces domaines ont été et continueront d'être des écoles d'épargne et de prévoyance, tout en restant en même temps pourvoyeuses de crédit adapté aux besoins de leurs sociétaires. Dans les coopératives d'épargne et de crédit, c'est-à-dire les caisses populaires, la pratique de l'utilisation locale des épargnes et leur caractère populaire les ont incitées à dépasser le champ des prêts personnels et à devenir des surports précieux des institutions sociales, religieuses, et coopératives des différents milieux. A mesure que les besoins se multiplient, et parce qu'elles sont devenues des réservoirs importants de capitaux, leur rôle est de plus en plus considérable. Les sociétés fraternelles et les mutuelles d'assurance vie de leur côté,

qui offrent à nos gens toutes les formes modernes d'assurance bien adaptées à leurs besoins, se préoccupent de plus en plus de faire servir leurs capitaux au développement des institutions populaires. Enfin les coopératives de santé, volontaires et libres, assurent une protection au prix coûtant à un nombre considérable de familles.

Toutes ces institutions apporteront une contribution de plus en plus importante, nous en sommes assurés, à la consolidation financière des familles des classes laborieuses, et au renforcement des structures qui protègent leurs intérêts.

Amélioration de certains services : La contribution du mouvement coopératif dans le domaine des services, en particulier celui de l'habitation et de la distribution des biens de consommation devrait s'accroître à l'avenir.

Dans le domaine de l'habitation par exemple, les coopératives ont accompli jusqu'à présent dans notre province une oeuvre quantitativement peu impressionnante, mais dont l'originalité ouvre des horizons nouveaux. L'expérience qu'elles ont acquise à date leur a permis de satisfaire aux besoins de logement de gens dont, pour la plupart, les revenus étaient insuffisants pour pouvoir utiliser les services offerts dans ce domaine par l'entreprise de profit. En plus d'apporter leur contribution à la solution du problème du logement, elles ont du même coup permis à leurs sociétaires de

devenir propriétaires de leurs logis. Les coopératives ont mis au point une formule qui leur permet d'envisager de façon réaliste la solution du problème du logement dans la plupart des villes de notre province, à condition seulement que nos lois leur accordent au moins les mêmes avantages qu'elles donnent aux autres formes d'entreprises.

Quant aux problèmes de distribution, comme c'est le cas dans la plupart des pays jeunes, la population de notre province ne s'en est guère encore vraiment préoccupée. L'essor considérable de notre économie a amené nos concitoyens, leurs associations à quelques exceptions près, et même l'Etat, à considérer surtout les problèmes de production et de producteurs. Tout le monde semble prendre pour acquis que les problèmes d'approvisionnement, de coût de la vie, etc., se règlent de façon raisonnablement satisfaisante, et qu'il n'y a pas lieu de s'en préoccuper outre mesure.

Tout de même, le moindre fléchissement dans les affaires, le moindre ralentissement dans la production ou la moindre baisse dans les prix aux producteurs font voir les défauts de la situation générale actuelle.

Les milieux ruraux, et les cultivateurs en particulier, se sont les premiers préoccupés de leurs problèmes d'approvisionnement. C'est ainsi que leurs coopératives agricoles ont vite acquis une importance considérable dans leur approvisionnement en marchandises d'utilité professionnelle grains, moulées, insec-

ticides, machinerie agricole, etc. Leur rôle dans ce domaine devient de plus en plus important.

C'est aussi dans les campagnes que les consommateurs ont senti les premiers le besoin de s'unir pour devenir leurs propres marchands et obtenir coopérativement les marchandises nécessaires à leurs familles. Leur expérience actuelle est très intéressante de même que celle de quelques villes, petites et moyennes, et laisse entrevoir que les coopératives de consommateurs joueront un rôle de plus en plus important, à mesure que se diffusera l'éducation économique dans notre population, et à mesure que disparaîtront l'espèce d'inconscience et de laisser-aller des années passées.

Les coopératives de consommation joueront alors pleinement leur rôle de protectrices des consommateurs moyens, celui de groupe-témoin permettant de juger de l'efficacité du réseau de distribution qui les sert, et de mettre plus d'ordre dans la distribution, et une plus grande discipline dans leurs achats, et d'exercer une plus grande influence dans la fixation des prix des biens de consommation.

Nous tenons à préciser en terminant cette partie que la contribution coopérative ne se limitera pas, dans notre opinion, aux domaines mentionnés; la souplesse de la formule la rend apte à satisfaire les besoins économiques les plus variés dont quelques-uns se manifestent déjà et d'autres feront vraisemblablement leur apparition à l'avenir.

Suivent quelques notes sur les conditions de l'action coopérative. Nous voulons simplement souligner au paragraphe 1 que le mouvement coopératif repose sur la valeur des hommes qui le composent, en administrent les entreprises et en dirigent les destinées, et comme dit le paragraphe 4, nous voulons limiter nos considérations à quelques aspects de la coopération et des relations du mouvement coopératif avec l'Etat.

Si le Gouvernement voulait savoir ce qu'il peut faire pour faciliter la tâche des institutions coopératives, ces dernières se contenteraient de demander aide dans leur effort d'enseignement et d'éducation, estimant que cet effort vise un but d'intérêt général et peut donc légitimement recevoir l'assistance des pouvoirs publics. Certaines mêmes demanderaient seulement le concours de l'Etat dans un large programme d'éducation des adultes, persuadés que des adultes dûment informés rechercheraient tout naturellement des solutions coopératives à quelques-uns de leurs problèmes.

A ce sujet, nous nous plaisons à souligner certaines réalisations dans ce domaine, de la part en particulier de Radio-Canada et de l'Office National du film, sans oublier diverses publications éducatives de l'un ou l'autre des ministères fédéraux.

Une seconde revendication des coopérateurs, c'est que soient levés, là où ils existent, les obstacles qui s'opposent au libre développement des organisations coopératives, au libre déploiement de leurs activités, et que l'Etat reconnaisse dans la pratique

leurs principes, leurs caractéristiques essentielles, et leurs méthodes de fonctionnement.

A ce propos, voici quelques points particuliers que nous désirons soumettre à votre Commission :

Loi de l'Impôt sur le Revenu : Nous croyons avoir démontré dans ce mémoire que l'entreprise coopérative diffère de l'entreprise commerciale à caractère capitaliste. En particulier le rôle du capital n'est pas le même, bien qu'extérieurement la différence n'apparaissent pas à première vue. Nous regrettons de n'avoir pu faire admettre cette réalité par les autorités fiscales fédérales qui maintiennent, dans la loi de l'impôt sur le revenu la clause du 3%, une clause nettement arbitraire et illogique, directement à l'encontre d'une recommandation de la Commission McDougall. Cette clause et le refus d'admettre la déductibilité de l'intérêt payé au capital détenu par les sociétaires-usagers des coopératives sont absolument incompatibles avec l'interprétation orthodoxe des activités des coopératives.

Loi Nationale du Logement : Dans un autre domaine, celui du logement, nous croyons que la Loi Nationale du Logement traite de façon discriminatoire les organisations coopératives. Nous comprenons mal qu'un groupe qui décide de se former pour aider à la construction de maisons pour d'autres individus, puisse bâtir une entreprise dite à dividendes limités qui peut très facilement

obtenir, en vertu de cette loi, la finance nécessaire pour la construction d'habitations, alors que si ces mêmes personnes s'unissent pour se construire elles-mêmes et pour elles-mêmes des logements par la formule coopérative, la loi ne leur permet pas les mêmes avantages.

Santé : Dans le domaine de la santé, nous soulignons aux Autorités Fédérales la valeur des suggestions faites par Les Services de Santé du Québec, société coopérative d'assurance-santé du Québec devant la Commission provinciale Tremblay. Nous croyons que l'application de la formule suggérée serait la plus progressive de toutes celles qui ont été proposées jusqu'à date. Elle permettrait en particulier de stimuler l'initiative privée de groupes importants, d'adapter les services médicaux aux conditions régionales, et d'améliorer les conditions d'hospitalisation.

Ce mémoire, présenté à une commission qui s'intéresse particulièrement aux problèmes économiques, a débordé les cadres stricts de l'économie envisagée de façon traditionnelle. Il était inévitable qu'il en soit ainsi, parce que le mouvement coopératif introduit dans l'économie des considérations nouvelles.

Ce que les institutions coopératives apportent à la collectivité, c'est non seulement de nouvelles méthodes de distribution des biens et des revenus et non seulement un système d'irrigation du crédit et des moyens de production conduisant jusqu'au plus humble producteur, mais c'est aussi des moyens de diffusion du progrès technique, des formules d'organisation du travail et de

la production, des facteurs d'ordre et d'équilibre et des fondements pour la démocratie économique et sociale.

Alors que d'une part l'envergure de certains problèmes actuels, la recherche de la sécurité, et aussi la loi du moindre effort dans certains cas poussent tour à tour différents groupes de la population ou différents secteurs de notre économie à recourir à l'aide de l'Etat, lui demandant d'assumer de plus en plus de responsabilités dans le domaine économique, nous croyons devoir souligner les dangers que présente cette tendance pour le maintien de la liberté.

D'autre part, le souci de la liberté ne doit pas venir en conflit avec le besoin d'ordre, de stabilité et de sécurité. Expression la plus authentique de l'entreprise privée, le Mouvement Coopératif offre une formule propre à concilier l'ordre et la liberté. Selon sa destination historique, il présente la voie du juste milieu, prévenant les abus de l'organisation économique à caractère capitaliste, à qui il faut imposer des freins de l'extérieur, et prévenant d'autre part une trop grande main mise de l'Etat sur certaines activités économiques qui touchent de près la population.

Vous avez, monsieur le Président et messieurs les commissaires, quelques appendices : le premier vous fournit des statistiques sur quelques groupes de coopératives dans la province de Québec. Le second est constitué par un mémoire, - et

ici je voudrais qu'il soit faite une correction pour être vraie, à la note qui dit ceci : "Cet appendice est constitué par le mémoire de la Coopérative Fédérée de Québec." C'est en fait un mémoire conjoint présenté par l'Union Coopérative des cultivateurs et la Coopérative Fédérée de Québec, ce mémoire que vous avez devant vous .

Et je vous demanderais, étant donné que l'impression de ce mémoire est assez jeune puisqu'il est fraîchement d'hier, de bien vouloir l'utiliser pour vos fins, mais de n'en pas faire de publicité.

Nous avons obtenu de la Coopérative Fédérée l'autorisation de soumettre ce mémoire avec celui-ci, qui contient en réalité des études fort intéressantes pour votre commission, et que la Coopérative Fédérée ne peut, en raison des circonstances, présenter d'autre mémoire à votre commission.

Vous avez un autre mémoire en appendice 3, qui est constitué par le mémoire des services de santé à la Commission Tremblay. Evidemment, nos organisations ne peuvent disposer de temps et de personnel pour faire tout ce qu'elles voudraient. Nous avons cru tout de même, avec l'autorisation des services de santé, pouvoir vous soumettre ce texte qui à n'en pas douter contiendra quelque chose d'intéressant.

Il y a aussi un autre appendice concernant les

pêcheurs unis, les syndicats de pêcheurs et leur fédération, les pêcheurs unis de Québec, et comme nous avons ici les représentants de cette fédération, avec votre permission, s'ils ont quelque chose à ajouter, monsieur le président, je leur céderai volontiers la place, de même qu'aux représentants des coopératives d'habitations.

Monsieur le président, je vous remercie de votre bonne attention, et encore une fois d'avoir bien voulu nous inviter, et nous souhaitons à votre commission que son travail, comme nous l'espérons, soit profitable à tous les citoyens du pays, y compris les coopératives.

THE CHAIRMAN

Thank you very much. We are very grateful to you for this submission, both for the information about the cooperative movement in Quebec, which we know is so important in this province, and we will have an opportunity of studying these appendix with a great deal of interest, I can tell you.

M. Lussier :

Je suis particulièrement intéressé au mouvement coopératif, pas personnellement, mais comme mouvement qui, dans la province de Québec plus que dans toute autre province, s'affirme et donne des résultats spectaculaires.

Cependant, est-ce que vous pourriez - c'est une question d'opinion - me dire quelle est l'entension que peut

prendre ce mouvement dans la province de Québec, en proportion par exemple du commerce privé? Je ne prétends pas que c'est une menace, vous savez, ce n'est pas pour ça.

M. Martin :

J'espère que votre question n'est pas une indication que les coopératives peuvent devenir ce qu'on appelle en terme péjoratif des trusts. Elles ne peuvent pas, par définition.

Dans le secteur agricole, monsieur le commissaire, je crois que les coopératives, depuis quelques années, s'intéressent d'une façon particulière aux productions les plus importantes, et dans le domaine des viandes, au stage de la transformation primaire et de la mise sur le marché, elles sont aujourd'hui - elles occupent aujourd'hui, ou transigent près du tiers, et dans un avenir prochain, nous pensons que nous transigerons cinquante pour cent de la production annuelle de la province de Québec.

Dans vingt-cinq ou trente ans, nous croyons que ça deviendra une nécessité pour les producteurs agricoles, s'ils veulent survivre, de s'intéresser non seulement à la production sur leur ferme, mais aussi à l'utilisation de leur production pour pouvoir ensuite mieux orienter ces mêmes productions.

Il est évident, dans Québec, nous avons moins de producteurs, ils doivent avoir de plus grandes fermes, parce qu'il faut mécaniser, il n'y a plus de main-d'oeuvre, le prix des

produits de la ferme a tendance à la baisse depuis quelques années, et les producteurs ne se trouveront pas à s'en scandaliser; il y a une tendance grave qu'ils trouvent le moyen de survivre en même temps que le coût des services continue d'augmenter. Alors, ils vont sûrement rechercher l'utilisation de la formule coopérative sur une plus grande échelle de façon à pouvoir satisfaire à meilleur compte leurs besoins.

M. Lussier :

Vous croyez qu'il y a possibilité d'une expansion pour couvrir à peu près, du point de vue agricole particulièrement, au moins cinquante pour cent à soixante-et-quinze pour cent des travailleurs agricoles?

M. Martin :

Parfaitement.

M. Lussier :

D'ici vingt ans?

M. Martin :

Parfaitement.

M. Lussier :

Vous dites, dans le domaine des viandes, dans le moment, vous groupez au moins cinquante pour cent des producteurs?

M. Martin :

Non, environ trente pour cent; nous espérons prochain-

nement avoir cinquante pour cent.

M. Lussier :

Vous avez vos propres abattoirs?

M. Martin :

Oui monsieur le commissaire.

M. Lussier :

Et vous préparez les viandes, pas pour la consommation, mais pour le gros?

M. Martin :

Pour la consommation.

M. Lussier :

Vous préparez les viandes pour la consommation du bétail aussi?

M. Martin :

Le gros et le détail.

M. Guy Bernier :

Les produits sont préparés jusqu'à leur stage final de préparation; ils sont vendus aux commerces de détail, ils sont vendus aux marchands détaillants.

M. Martin :

Prêts pour la consommation.

M. Lussier :

Il y a quelques jours, deux jours, il est paru devant nous un type qui est dans le détail, que vous connaissez, M. Steinberg. Il nous a parlé de la préparation des viandes pour la consommation.

Est-ce que vous allez jusqu'au degré, je dirais, de ces épiceries-là, pour la préparation de vos viandes, ou si vous laissez ça au stage de gros pour pouvoir

M. Martin :

Les épiceries du genre telles que vous mentionnez sont évidemment intéressées à faire, dans bien des cas, une partie au moins de la préparation pour présentation à leur clientèle, mais ne sont - nous travaillons les viandes jusqu'au degré ou vous n'avez qu'à les mettre dans l'assiette.

M. Lussier :

Parce que lui-même nous a parlé d'un projet qui lui permettra d'aller plus loin que ça pour faire la préparation, dans le moment, il préférerait ne pas le faire mais faire faire ça par d'autres institutions qui lui donneraient des viandes toutes préparées. Vous avez parlé ...

M. Guy Bernier :

Maintenant, j'ai parlé pour les coopératives agricoles, et votre question réfère à d'autres secteurs.

M. Lussier :

Je vais en parler aussi, j'en venais justement aux assurances, je vois monsieur Paré des Artisans Canadiens Français, c'est une très vieille coopérative, je me rappelle que c'est la première compagnie d'assurance dont j'ai entendu parler chez mon père.

M. René Paré :

Votre père était probablement percepteur pour les Artisans.

M. Lussier :

Dans ce domaine-là, quelle est la nature de cette coopérative?

M. René Paré :

Comme on appelle la Société des Artisans, c'est ce qu'on appelle une société fraternelle d'expression, Fraternal Society, en anglais, du secteur des sociétés d'assurance, relié au conseil de la coopération, est composé de six sociétés du genre, la Société des Artisans, l'Union St-Joseph du Canada, et quelques autres dont la société de Santé de Québec, qui est la plus jeune, qui est spécialisée en assurance-maladie.

Aujourd'hui, ces institutions-là, aujourd'hui, elles sont reconnues comme des coopératives parce qu'elles existent depuis avant que le mouvement coopératif existe tel qu'on le connaît aujourd'hui. Elles sont reconnues comme des institutions coopératives parce qu'elles ont le caractère des institutions coopératives, c'est-à-dire le caractère démocratique, la ristourne, l'entrée libre, etc; ça respecte exactement tous les principes.

L'entrée libre, vous dites, pour le porteur d'une police d'assurance? C'est ça que vous voulez dire?

M. Paré :

C'est ça.

M. Lussier :

Sans examen médical ?

M. Paré :

Ah non, mais voici, il y a des conditions à l'entrée, et seulement les personnes qui respectent ces conditions-là peuvent entrer, comme dans n'importe quelle autre coopérative, dans une société fraternelle, tout comme pour en sortir aussi, on en sort quand on veut, comme dans les autres coopératives.

Evidemment, qu'il y a des conditions à l'admission et l'acceptation de quelqu'un, en tenant compte de sa santé, son âge, de toutes les autres conditions, ses moeurs, toutes les autres conditions qu'on exige de l'assurance en général, parce qu'autrement ce serait prendre des risques considérables, nous serions exposés, si nous disions que l'entrée est extrêmement libre, qu'il n'y a pas même d'examen médical, que tous les gens entrent chez nous, et ça serait une mauvaise coopérative.

M. Lussier :

Est-ce que les taux d'assurance que vous exigez sont plus bas que ceux exigés dans les assurances ordinaires ?

M. Paré :

A ce sujet-là, je pense qu'on peut dire que nous avons fait une expérience qui n'a pas été très très favorable; je me souviens que lorsque je suis entré dans la Société des Artisans, il y

a déjà une trentaine d'années, les taux de la société, comme d'ailleurs dans les autres sociétés patronales, étaient substantiellement plus bas que dans les compagnies à fonds social, mais l'expérience nous a démontré que c'est une mauvaise politique.

D'ailleurs, les coopératives prêchent que les institutions coopératives doivent faire affaires sur le prix du marché, et aujourd'hui nos taux sont à peu près équivalents à ceux des autres institutions, ils sont basés d'ailleurs sur les mêmes tables de mortalité, avec un intérêt, l'intérêt courant, l'intérêt qui est utilisé pour le calcul de ces taux-là dans les autres institutions, et nous faisons affaires sur la même base que les autres institutions, en particulier les compagnies à fonds social.

M. Lussier :

Maintenant, quels sont les avantages spéciaux qui peuvent déterminer un individu à entrer dans une coopérative, chez les Artisans plutôt que dans une compagnie à fonds social?

M. Paré :

Au point de vue strict d'assurance, il n'y a pas d'avantage particulier excepté que si l'institution est bien menée, il y a cet avantage qui existe dans toutes les autres coopératives qu'il n'y a pas d'actionnaires, par conséquent il n'y a pas de dividende à distribuer aux actionnaires, et la ristourne est retournée aux sociétaires.

M. Lussier .

Alors la ristourne correspondrait un peu à ce qu'on appelle les dividendes donnés aux actionnaires par les compagnies à fonds social?

M. Paré :

Oui, à ce point de vue-là, ce n'est pas nous autres qui imitons les compagnies à fonds social, mais ce sont les compagnies à fonds social qui imitent les coopératives.

Maintenant, si vous permettez, au point de vue comparaison avec les compagnies à fonds social, je veux bien croire que les sociétés patronales qui sont reconnues comme des coopératives tant chez les canadiens français que chez les groupes de langue anglaise, parce qu'il y a des sociétés patronales très importantes chez les groupes de langue anglaise - si on les compare à d'autres, elles ne font peut-être pas un volume d'affaires très considérable, c'est peut-être dix pour cent ou douze pour cent de ce qui se fait, mais depuis quelques années particulièrement dans la province de Québec, ces sociétés-là ont progressé énormément, et beaucoup plus vite que la plupart des autres institutions, et je crois que dans quelques années d'ici on pourra dire, dans la prévision par exemple de votre Commission, c'est-à-dire dans vingt-cinq ou trente ans, on peut dire que les sociétés auront, peut-être pas évidemment plus que les autres qui sont beaucoup plus considérables, qui ont beaucoup plus d'avance que nous autres, mais nous aurons une part beaucoup

plus importante qu'actuellement des affaires d'assurance dans la province de Québec en particulier, et je crois que ça s'applique également au Canada, parce que je connais assez bien des sociétés en Ontario en particulier, et ces sociétés-là sont aussi très progressives.

M. Lussier :

Vous avez mentionné tout-à-l'heure, que vous aviez groupé avec vous certaines autres sociétés, St-Joseph, etc. et aussi Société d'Assurance-Santé.

M. Martin :

Service de la Santé de Québec, qui sont mentionnées à la page 12.

M. Lussier :

Maintenant, Service de la Santé de Québec, c'est le titre de l'organisation?

M. Martin :

C'est le nom de l'organisation.

M. Lussier :

Malheureusement, je n'ai pas eu le temps - cette partie-là m'intéresse particulièrement, seulement je n'ai pas eu le temps de l'étudier parce que ces mémoires-là nous ont été soumis à la dernière minute. Mais en étudiant ici l'appendice le mémoire du service de Santé de Québec, on fait une dissertation,

je dirais, économique et philosophique de l'application de ce service-là.

J'aurais aimé, si c'eût été possible, avoir des chiffres sur le coût de l'assurance-santé, avec le plan que vous proposez.

M. Léo Bérubé :

Malheureusement, nous ne pouvons pas vous fournir ces chiffres-là aujourd'hui, mais je crois qu'il est possible ...

M. Lussier :

Non, est-ce qu'il serait possible d'avoir une étude financière?

M. Paré :

D'ailleurs, monsieur le commissaire, L'Union des Mutuelle-Vie, qui est un secteur du Conseil de la Coopération, le mouvement inspiratif, doit produire un mémoire assez bref sur quelques points en particulier, alors ça pourrait être consigné dans ce mémoire-là.

M. Lussier :

Si c'était possible, c'est un point intéressant, en parlant d'assurance, ça peut intéresser le fédéral.

M. Martin :

Je m'excuse d'avoir oublié d'en faire mention tout-à-l'heure.

M. Paré :

Monsieur Gariépy est en train de faire une étude de cette nature, on le priera bien ...

M. Lussier :

Une étude assez complète du coût et des avantages pécuniers de ce plan-là.

M. Martin :

Maintenant, si je comprends bien, les services de santé opèrent comme tant d'autres, comme toutes les coopératives, sur la base du prix courant, et elles font un réajustement de ses primes par des services additionnels ou des réductions de taux qui s'opèrent périodiquement.

M. Lussier :

A votre avis, est-ce qu'il y a moyen de substituer, je dirais, un service coopératif de santé?

M. Martin :

Je ne sais pas s'il y a moyen d'y substituer un service coopératif de santé, mais je crois qu'on n'établira jamais quoi que ce soit de permanent, sans exiger d'abord une participation ou une contribution de l'intéressé, et c'est précisément à mon avis ce qu'apporte de positif une organisation comme celle des services de santé.

M. Bérubé :

Si vous étudiez le mémoire qui est en appendice, le mémoire du Service de Santé, vous allez vous rendre compte qu'il propose une formule positive, et dans lequel est bien expliquée la composition des individus. Alors, le plan général qu'il propose est une contribution, supposons une contribution tri-partite, si vous voulez : Premièrement contribution des intéressés eux-mêmes pour participer activement à l'administration des services; deuxièmement participation des hôpitaux et le corps médical, participation active; et troisièmement aussi contribution de l'Etat pour ceux qui ne peuvent pas payer, contribution de l'Etat déterminée d'après certains barèmes.

M. Lussier :

Je reviens à ma question qui n'a peut-être pas été complètement claire: C'est que d'après votre avis, est ce qu'il y a moyen d'imaginer que chercher les assurances tel que vous le préconisez peut rencontrer les besoins de la population qui cherchent l'amélioration à sa santé à tous points?

M. Bérubé :

Je crois même, monsieur le commissaire, que c'est l'opinion actuelle des directeurs, et j'entends par là les directeurs, les représentants des sociétaires membres des services de santé, et aussi du corps médical intéressé aux activités du service de santé. C'est leur opinion que le plan qu'ils suggéreraient est capable de prendre soin des besoins, s'il est mis intégralement en application.

M. Paré :

Mais je crois que votre question va jusqu'à demander ceci : Est-ce qu'on peut suggérer un système d'assurance-santé qui irait jusqu'à dire qu'il n'y a plus besoin de l'intervention de l'Etat? C'est-à-dire avec l'idée de couvrir tout le domaine?

M. Lussier :

Bien, couvrir tout le domaine que voudrait couvrir l'Etat, parce que les projets qu'on met en évidence aujourd'hui, au point de vue santé

M. Paré :

Je crois que l'expérience le démontrera, mais je crois que le plan préconisé par le Service de Santé de Québec devrait certainement être essayé avant toute autre chose, à mon point de vue, et c'est toujours difficile de faire des prétentions avant que l'expérience ait véritablement démontré ce qu'un système peut faire, mais je crois véritablement que le système préconisé par les services de santé pourrait le faire; dans tous les cas, ça devrait certainement être essayé.

M. Lussier :

Certainement, si c'est faisable, ça me paraît être le meilleur système.

M. Paré :

Je crois que ça vaudrait la peine qu'il soit essayé

parce qu'il est certainement original et très bien imaginé.

M. Lussier :

Mais n'ayant pas de chiffre, on ne peut pas voir où on va.

Maintenant, pouvez-vous me dire quel est le rapport qu'il y a entre vos systèmes de coopératives et la Coopérative Fédérée de Québec. Là, je ne m'y comprends pas beaucoup.

M. Martin :

La Coopérative Fédérée de Québec est la fédération des coopératives agricoles; il y en a environ cinq cents, à peu près, comme l'indique la statistique, dans la province, et la Coopérative Fédérée est la propriété de quatre cents quelques coopératives, dont elle essaie de satisfaire les besoins communs, et on a l'habitude de dire que la Coopérative Agricole continue les activités de la ferme, comme la fédération qui dans le secteur agricole, s'appelle la Coopérative Fédérée de Québec, continue les activités des coopératives locales.

M. Paré :

Je crois que ce serait intéressant pour la Commission de connaître comment est organisé organiquement le Conseil de la Coopération, le mouvement coopératif dans le Québec: C'est que voyez-vous, il y a les coopératives de base, c'est divisé en secteurs, il y a le secteur agricole, le secteur des assurances, le secteur des pêcheurs, le secteur de l'habitation, le secteur de la consommation, et

tous les autres secteurs qu'on peut multiplier à l'infini.

Alors, dans chaque secteur, c'est organisé sur le même plan, il y a des coopératives de base ou les coopératives locales qui ont besoin de se fédérer dans une fédération. Alors, vous avez le secteur agricole, comme l'explique monsieur Martin, qui est composé de coopératives, d'unités locales ou régionales, ou même provinciales, mais qu'on appelle des coopératives de base, parce qu'elles sont reliées directement aux sociétaires.

Alors, toutes ces coopératives-là sont reliées entre elles par une affiliation ou une fédération, et dans le cas des coopératives agricoles, cette fédération-là s'appelle la coopérative Fédérée de Québec; et les diverses fédérations dans le secteur des sociétés d'assurance de la fédération s'appellent l'Union des Mutuelles; puis dans le secteur des coopératives de consommation, c'est l'Alliance des Coopératives de consommation; et les pêcheurs unis, c'est la Fédération des Coopératives de pêcheurs, ainsi de suite, et c'est toutes ces coopératives-là, des coopératives de base, avec leurs fédérations qui forment dans le conseil de la coopération le mouvement coopératif de la province de Québec.

M. Lussier :

Maintenant, au point de vue responsabilité financière, chaque coopérative individuelle garde sa propre responsabilité?

M. Paré :

Oui, exactement.

M. Lussier :

Soit pour les prêts , soit pour le commerce ou autrement, ceci est tout-à-fait séparé?

M. Paré :

C'est ça.

M. Lussier :

Par exemple, la Coopérative de Pêcheurs qui se trouve dans la Gaspésie et certains autres endroits de la province, est-ce que chacune de ces coopératives-là sont indépendantes?

M. Bérubé :

Parfaitement.

M. Guy Bernier :

Chacune de ces coopératives-là ont leur groupe distinct.

M. Paré :

Ca existe certainement pour les coopératives agricoles, il y a un contrat, les coopératives locales passent un contrat avec leur fédération pour la transaction de leurs affaires, n'est-ce pas, monsieur Martin?

M. Martin :

Exactement, comme dans chaque groupement local ou société agricole ou syndicat coopératif agricole, il y a un

contrat qui se passe entre l'individu exploitant une ferme, un propriétaire, et la coopérative, de même qu'il y en a un entre la coopérative locale et la fédération, qui sont reliées juridiquement par un contrat.

M. Paré :

Ce contrat-là oblige le sociétaire à faire affaires dans les limites du contrat, évidemment à faire affaires avec sa coopérative, comme ça oblige la coopérative à faire affaires avec la fédération.

M. Lussier :

Est-ce qu'il y a des sanctions, supposons que le contrat n'est pas respecté?

M. Martin :

C'est prévu au contrat.

M. Lussier :

Alors, il y a des sanctions suffisantes pour faire respecter le contrat?

M. Paré :

Maintenant, comme nous l'expliquions aux pages 5 à 9 de ce rapport, il y a un

M. Lussier :

Il est tout probable que je pose les questions qui sont déjà répondues. Je m'en excuse. C'est tout pour moi, au-

jourd'hui.

Ce que je vous promets, c'est que je vais étudier très attentivement ce que vous avez présenté. Je crois que c'est un des mouvements des plus intéressants au moins de la province de Québec.

M. C. E. Désourdy :

Vous avez demandé tantôt la proportion des affaires que les coopératives faisaient. On vous a répondu au point de vue agricole. J'aimerais à vous répondre au point de vue des pêcheurs, mais est-ce que je pourrais vous répondre en anglais?

M. Lussier :

Sûrement. Mentionnez la question aussi.

(Page 7375 follows)

MR. DESOERDY: Mr. Lussier has asked what proportion of the business transacted was the proportion of the co-operative and I think he also had in mind what the co-operatives would contribute to the economy of the country in the next 25 years. I think that is what you have in mind. I am concerned particularly with the Gaspé area, the commercial fishermen in the Gaspé area. At the present time we handle about 75 percent of the fishing from that area and as you all know we have an enormous surplus of food in this country at the moment and they have had in the United States. As a matter of fact I think we want to exchange wheat for Englishmen.

THE CHAIRMAN: Do you think it is a good trade?

MR. DESOERDY: I would rather have Scotsmen but I would like to tell you the part that the Fishermen's Co-operative have played in the economy of the province so far. If we go back to a few years ago I think it is best illustrated by a very popular song we have heard recently and I think it is called "Sixteen Tons" where it says, "I owe my soul to the company store". That was the situation of the fishermen. When the co-operative first came in they had not seen any currency. It was a case of barter. They would turn in their fish and exchange goods. That situation has entirely changed.

As I said before, on the food situation we have a surplus of everything. If we take into consideration the increase in population of the entire

world which as pointed out, I think, is three times over the century and which we estimate at five billion, I think at the end of this century, I think the problem will be one of procurement of food instead of surplus of food and I think fish will enter into the picture. As far as the Gaspe area was concerned, up to a few years ago we used the same methods Jacques Cartier used but now with the help of both governments, fishermen are being equipped with much bigger boats and the fish are right at our doorstep. As a matter of fact we have Spain, Portugal and the Americans coming in and fishing right on our doorstep. I think that equipped as we will be the catch of fish will increase enormously and I think fish will become a very important item of food within the next 25 years.

Thank you.

THE CHAIRMAN: Thank you. Well, thank you very much indeed, Mr. Martin. We are most grateful to you and this has been a very interesting discussion. Thank you all very much.

We will adjourn until Monday in Ottawa.

MONTREAL SITTINGS CONCLUDED

ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

FEBRUARY 27, 1956

VOLUME 37

Monday, February 27, 1956

Ottawa, Ontario.

The commission opened its Ottawa sitting in the Exchequer Court Chamber, Supreme Court Building, at 10 a.m.

Present:

Mr. W.L. Gordon, Chairman;
Mr. Omer Lussier;
Mr. A.E. Grauer;
Mr. Andrew Stewart;
Mr. Raymond Gushue.

Appearances:

Mr. Claude Jodoin, president, T.L.C.;
Mr. Gordon G. Cushing, general
secretary treasurer, T.L.C.;
Mr. L.E. Wismer, director of public
relations and research, T.L.C.;
Mr. A.R. Mosher, president, C.C.L.;
Mr. Donald MacDonald, secretary
treasurer, C.C.L.;
Mr. Eugene A. Forsey, director of
research, C.C.L.;
Mr. A. Andras, research department;
C.C.L.;
for the Trades and Labour Congress
of Canada
and
The Canadian Congress of Labour.

Mr. H.V. Lush, vice-president;
Mr. Ian F. McRae, chairman industrial
relations committee;
Mr. Hugh Crombie, past president;
Mr. K. LeM. Carter, chairman
legislation committee;
Mr. W.J. McCallum, chairman
transportation committee;
for the Canadian Manufacturers
Association.

Mr. J.R. Hughes, president;
Mr. S.E. Nixon, vice president;
Mr. D.B. Shaw, vice president;
Mr. N.H. Gunn, Ontario chairman;
Mr. E.P.C. Kinnear, Quebec chairman;
Mr. Peter Kilburn, past president;
Mr. J.L. Gassard, director of
education;
Mr. David Stanley;
for the Investment Dealers
Association of Canada.

THE CHAIRMAN: Shall we come to
order, gentlemen? We are very pleased to be
starting our final sessions in Ottawa, in this
very impressive building, and particularly pleased
that the first submission will be that of a joint
brief of the Trades and Labour Congress and the
Canadian Congress of Labour.

I would like to say, Mr. Jodoin
and Mr. Mosher, once again how grateful we are to
both of you and your associates for the two
studies which you are making for the commission,
the first on mobility and the second on the
problems involved in a greater degree of
mechanization, or automation. I do think

it is a remarkable thing in Canada when a number of business organizations and the two labour congresses should be willing to undertake studies for a commission of this kind at no charge either to the commission or the government. It is really a great contribution, and I think everybody in the country should be extremely grateful to you.

We have been conducting these hearings with a minimum of formality. If people do not like what is going on, they get up and say so. Some people prefer to do their talking sitting; others -- usually those who have been professors at one time or another -- prefer to stand up. We have found on occasion that they think better on their feet. Either way is all right with us.

There is no reason, I suppose, just because we are in a court house, that we should behave any differently than we have behaved elsewhere. It reminds me a little of being in a church; anyway, I think we might as well get started.

Mr. Jodoin, would you like to start off and tell us how you propose to submit this brief, which we will mark as Exhibit 214?

MR. JODOIN: Mr. Chairman and members of the board of the royal commission on economic prospects, first of all may I disagree with your remarks concerning the

impressiveness of this building. I believe the location is very fitting for a royal commission as important as yours, in hearing the various presentations that have to be made. We are very happy at the opportunity which has been granted by your commission to make representations and submit a memorandum to you.

As far as procedure is concerned, well, I do not know how my colleagues here present feel about it, whether they prefer to stand up or sit down, but at least as far as what we are advocating is concerned, we believe it is a stand-up proposition, and we are positive, gentlemen, that you will take these recommendations under the most serious consideration.

I use those words advisedly, because we are not in the midst of an election campaign or a period of promises, or things of that kind, when generally all requests are taken under very careful consideration.

If one may so so without criticizing others, we believe you are one of the most democratic royal commissions we ever heard of. You have initiated something, in that you have asked our congresses to participate in certain work, such as automation and the mobility of labour, and my colleagues and myself were certainly happy to participate in that work without any charge to anyone, as you

have said, because we feel that the work of this commission is so very important.

We have a submission to make in the name of our two congresses, the Canadian Congress of Labour and the Trades and Labour Congress. We think perhaps the fact that this is a joint presentation is a good omen for the future of organized labour in Canada.

Without any further introduction on the part of my distinguished colleagues brothers Mosher and MacDonald, I will now ask Dr. Forsey or brother MacDonald if he wishes to add anything at this moment.

MR. FORSEY: Mr. Chairman and members of the commission, I am going to stand up; in fact I am at my academic best standing up, because otherwise I am in the position of the small minister who on one occasion mounted into the pulpit and could barely be seen above the top, and gave out as his text, "It is I; be not afraid." I am afraid you would hardly be able to see me if I sat down.

Mr. Chairman, as you know we have prepared a summary of this very bulky document, and with your permission I shall now read it. I understand from your secretary that you would rather like to question us section by section on this; when we have finished reading one particular part of it perhaps you would like to ask any questions that have occurred to

you about that part. So I shall pause at the end of each of these sections, and if you have any questions to put to us we shall be delighted to answer them to the best of our ability. Various people may answer, because you might easily ask me a question on some part of this brief on which I would have to confess my ignorance, and would have to call upon someone else to answer. However, we have quite a galaxy of our staff to come to my assistance, and they will be able to answer questions beyond my capacity.

The Trades and Labour Congress of Canada and the Canadian Congress of Labour, soon to be united in the Canadian Labour Congress, welcome this opportunity of appearing before you. You have our joint submission. We think, however, that it might be useful to summarize it now, before you question us on it.

On "the probable economic development of Canada" we have little, if anything, to add to the material you have already amassed. To your consideration of "the problems to which such development appears likely to give rise" we think we can make a useful contribution.

The first aim of our economic development should be the highest possible standard of living for all ordinary Canadians; maximum national income and fair shares. The second is the preservation of a free, independent

Canadian nation, even at some economic cost.

The third is the preservation of the historic communities which make up the Canadian nation.

We are not isolationist. We recognize Canada's responsibilities as a member of the commonwealth, NATO, the United Nations and other international organizations. We are not anti-American; we recognize and accept the uniquely intimate relationship of the Canadian and American economies --

I felt tempted there to quote

Alice in Wonderland:

"If seven maids with seven mops,
Swept it for half a year,
Do you suppose, the walrus said
That they could get it clear?"

Anyway, we accept the uniquely intimate relationship of the Canadian and American economies, and the best proof that we do is that most of our members belong to international unions. But we also believe that, within the limits set by the nature of the world we live in, Canada -- its government, its industry and its unions -- should control its own destiny, and the best proof that we do is that our new Congress is to be an absolutely autonomous organization, affiliated to no organization outside the country except the international confederation of free trade unions, to which nearly all central labour organizations

in the free world are affiliated.

The whole existence of Canada rests on considerations not purely economic. If the fathers of confederation had followed straight economic reasoning, there would have been no confederation. They would not have gone to Charlottetown and Quebec. They would have gone to Washington and asked to be let into the American union.

But they wanted both to preserve and unite certain historic communities in a new nation, and they were prepared to pay an economic price for it. That is why they built the Intercolonial and the Canadian Pacific. That is why they adopted the "national policy". From a purely economic standpoint, all these actions were simply crazy. They only make sense in the light of a belief that we have in this country a nation that is worth preserving.

Why is it worth preserving?

First, because it is the only nation on this continent which has deliberately chosen not to break with its past, both French and British. The most important thing for Canadians about the American revolution is that we refused to have anything to do with it. We deliberately chose to keep our roots. We have repeatedly reaffirmed that decision, notably at confederation.

Second, because we are the only nation on this continent which has deliberately chosen to preserve not one heritage but two. The Americans chose to make theirs a nation of one language and one culture. We chose not to.

But the heritage the fathers sought to preserve and extend was not only a French heritage and a British heritage. It was also the heritage of the historic communities in which those traditions were embodied. They wanted to build a united Canadian nation, but by developing, not destroying the parts. They would have repudiated instantly, and with horror, any idea that one province, one region, or a group of provinces or regions, should progress, while the others stood still, or fell back.

That is one reason why they created a federal union, and gave the provinces considerable powers. It is also one reason for measures like the Crowsnest pass agreement, the huge expenditures on the St. Lawrence waterway system, the Maritime Freight Rates Act, the vast grants, loans, subsidies and guarantees to railways. The principle that no province and no region must be allowed to fall far behind the national average is also one reason for the tax-rental agreements and the new dominion financial proposals now being considered by the provinces, one reason for national unemployment

insurance and family allowances and old age security, one reason why the dominion is paying half the cost of old age and blind and disablement assistance.

The principle of a sort of national minimum rules out, from any consideration of Canada's economic prospects, any notion of letting any of the historic communities disappear or dwindle into insignificance, or concentrating all our industry and people in the central and far western provinces where, perhaps, purely economic considerations might put them.

I do not know whether there is anything you wish to ask about on this introductory section, sir?

THE CHAIRMAN: When I read the complete brief I made a note that I thought it was not only a very excellent exposition of principles but, unlike some expositions which we have received, extremely well written, if you will permit me to say so.

MR. GRAUER: I do not know if it comes in at this point; it is rather hard to place it, but in the principle laid down of the sort of national minimum, I gather the criterion is a purely economic one, is it; some measurement like per capita income, or regional share of gross national product. Just how do you work that out?

MR. FORSEY: I would say what we were thinking of -- my colleagues can correct me on this -- was what we put somewhere else in the presentation; that the citizens of every province should be in a position to receive something like the same national services, something like the same standard of services on the national average, and that no province should find itself in the position where it cannot financially provide to its citizens proper educational and social services; that nobody in any part of the country should find himself, as it were, a second-class citizen because he happened to be born and brought up in a particular part of the country.

MR. GRAUER: I see that. What happens when one province or one region or more, decide that they want a way of life that is not primarily a matter involving economic considerations. They would still get the benefit of the economic criteria on a national basis, would they?

MR. FORSEY: I should think so. What they chose to do with it is their own affair. I personally do not subscribe to the notion that people in any part of the country are so spiritually minded that they do not really care about such things as their material standard of living.

One of your colleagues and I both

happen to come from a part of the country which perhaps considers itself very spiritually minded. That is the province of Newfoundland. I have also spent a large part of my life in the province of Quebec, which doubtless would make the same claim. But we all, including both Quebec citizens and Newfoundlanders, are just as anxious as anybody to have a decent material standard of living, and are just as anxious to have proper educational and social services.

I do not think that problem is likely arise in any critical form, though they might want to provide it in different forms in different parts of the country. For example in Newfoundland we have, as you all know, a very special system of education which is highly denominational. That is how we like it. Other parts of the country do not. It does not seem to me that changes the fact that we want to be able to give our people roughly the same standard of education as other parts of the country. If we have the money we will spend it in our own way, just as Quebec and other parts of the country will.

MR. GRAUER: The basis, then, is that you leave to provincial autonomy such things as culture, education and so on?

MR. FORSEY: Yes, very decidedly. We would like to make that very clear. Certainly

we intend that, and I think if I or Mr. Wismer or any of the rest of us have failed to give proper consideration to that fact the president of the Trades and Labour Congress would have brought us up very sharply.

MR. GRAUER: But the economic criterion is the one that is used to decide what sort of economic aid, if any, the various parts of the country get?

MR. FORSEY: Yes, I think so.

MR. GRAUER: That leads to the problem, of course, of whether economic aid from a federal source is acceptable for provincial areas that are following the idea of their own cultural and spiritual and institutional development. There is a problem there, I believe.

MR. FORSEY: Yes, but that is a problem we cannot undertake to solve. We can merely say what we think ought to be done. If any province says it does not want it, well, I think the answer is that the money is there and if they do not want it, that is the situation. I should think that the government of any province which said that for any long period of time would probably hear from the people of the province eventually; but that is what the judges and lawyers call obiter.

MR. GRAUER: I am trying to get precisely what you think on these various points.

With respect to the economic criteria, of course, the way people choose to live does have some influence on that. For instance, in one province we were told that there was a complete turnover of the labour force in the woods operation once every three months. Those woods operations were as well paid as in any area in Canada, but the people there just did not believe in working the year round in woods operations. They were interested, apparently, primarily in fishing or farming or a combination of both. It meant that their per capita income was low, of course, but that is the way they chose to live.

I do not know to what extent that sort of thing exists in Canada; I do not think anybody does, but to the extent that it does exist regionally it would pull down an economic criterion such as per capita income, let us say, because of the fact that these people prefer to live that way.

MR. FORSEY: Well, all I can say to that is that I think that sounds like a rather exceptional situation, and I doubt very much whether you would get that over any considerable region of the country. I can well believe that it would be of particular application in a particular place.

MR. GRAUER: As I said, nobody knows; but to the extent that this sort of

condition would be widespread in a given area, would it affect your formula; or did you have that in mind?

MR. FORSEY: I do not think we have attempted to work out any exact mathematical formula, and I do not think anybody could lay down the principle that, for example, the per capita income or the income per member of the labour force had to be exactly the same in every part of the country. That would be completely impractical. We are thinking rather of something that in broad terms means you get something like the same average level of living in the various regions of the country. You could not apply it exactly to any particular industry or place, or perhaps even to any particular small province. But we do not feel that, for example, the Atlantic provinces or the province of Quebec ought to lag far behind the national average. They may lag a little behind; it may turn out that we cannot achieve complete equality or even approximate equality, but we think every effort should be made in that direction. When it comes to things like education and social services, a particular effort should be made to see that they are well up to the national average.

MR. GRAUER: I think the concept or approach is quite clear; it is just the question of working it out.

MR. FORSEY: Oh, there are all

sorts of problems there.

MR. GRAUER: I imagine that in some of the larger provinces you could not work out an average state of well being even within the same provincial boundary.

MR. FORSEY: Oh, quite; but the thing we were thinking of is this business of national unity, and what we describe somewhere as a very deep feeling of resentment in certain parts of the country that they got left behind. I am sure you have run into that in the Atlantic provinces, and I should think you might have run across it in parts of the west and also in the province of Quebec.

That we think is a bad situation. We believe everything possible should be done to overcome that difficulty. The difficulties are there and they will never be completely overcome. We are never going to have the ideal situation in which people are going to say, "This is exactly right. I have exactly what I am entitled to. Nobody else is any better off than I am," but I think we can get closer to something of the sort we have suggested here.

MR. GRAUER: Thank you very much.

THE CHAIRMAN: I am sure all the members of the commission have questions they want to ask. We have all read your

brief, I may say, and some of our questions may apply to more than one section. So while I thought your suggestion of dealing with each section of your summary as you came to the end of it was very good, we still will feel free to go back to sections we may have dealt with if we have further questions.

MR. FORSEY: Very well. Shall I proceed, then?

THE CHAIRMAN: Yes, certainly.

MR. FORSEY: Population.

Immigration is the only factor in the growth of population over which society has much control. It is of vital importance to Canadian workers. We think we should state plainly our attitude towards it.

First, we are not against it. Sometimes it has been suggested that in the trade union movement all we are thinking about is hanging on to our own jobs and trying to keep people from getting in here. That is not so. But we are not in favour of simply shovelling people in here as fast as ships can bring them. Immigrants are human beings, not spare parts. If there are no jobs for them, they cannot be stored till they are needed.

Second, we do not think it is possible to state a figure of the number we should bring in annually for the next 5 or 10 years, or any other period. Too many factors in

the situation may change, and change abruptly. Our immigration policy must, above all, be flexible.

In short, we are in favour of an immigration policy based, as the present policy explicitly is, on the country's capacity to absorb immigrants. Immigration policy must be related to housing policy and other social investment policy, and to employment. For these and other reasons, we have repeatedly urged the government to set up an immigration advisory committee, representing employers, workers, farmers, welfare agencies and so forth, to keep immigration policy and administration under constant review, as the unemployment insurance advisory committee does unemployment insurance. We still think such a committee should be established.

THE CHAIRMAN: I think you might go on with the next section.

MR. FORSEY: Distribution of population. If things are left to themselves, the concentration of population in the central and far western provinces -- by which we mean Alberta and British Columbia -- may become even more marked than it is now. But the growth in population and the new discoveries and new technologies give us an opportunity to occupy Canada in depth, to decentralize, to spread our population and industry more evenly within the

present ribbon of settlement and beyond it. The development of oil, natural gas and atomic energy, and the approaching exhaustion of easily accessible hydro power in southern Ontario, open the way for regenerating the economic life of the maritime provinces, building up industry in the north, and fostering industrial growth on the prairies.

THE CHAIRMAN: Dr. Forsey, in your main brief you dealt at a little greater length with the desirability of decentralizing industry.

MR. FORSEY: May I suggest that Mr. Wismer would be the best person to answer this. I think he is primarily responsible for that particular part of the document.

THE CHAIRMAN: Well, Mr. Wismer, we have had that suggestion made to us in a number of places, naturally in the places where there is not much industry.

Other things being equal, there cannot be much argument about the desirability of decentralization; but how do you bring it about? A business that is going to locate somewhere or other has freedom of choice under our system. They take a number of things into account, and for some reason or other -- I will not say they all locate in Toronto or I will get into trouble -- they do seem to go to the larger centres of population. How do you

counteract that?

MR. WISMER: Well, Mr. Chairman, I do not think it is too easy to do, but it would seem to me that a commission like your own could very reasonably give some consideration to how to deal with the tremendous problems which big city and congested area development create, and seem to create on their own, by this contraction of industry to the markets and the facilities which are already there.

I would not suggest that the way they did something along this line in the British Isles was necessarily the only way to do it, or the best way to do it; but I believe they had some success, not by saying, "You must go to a certain area with your industry", but by doing a little persuading.

I admit the jurisdiction is not as divided in Britain as it is in Canada, and perhaps that also creates a difficulty here. But what I had in mind was that there might be developed some responsible group of people who would ask a certain industry the advantages of going to Toronto or Montreal or Vancouver or Winnipeg or any of the built up and congested areas, and ask them further why they should go there, economically, as opposed as going to a less dense area where in many ways some of the costs surely must be lower, if you consider the social costs as well as the investment costs and

other costs of the industry itself.

Perhaps this is a bit of a new idea, but I do not see how we can look at Canada's economy and ignore the social economic factors as well as the industrial and commercial economic factors.

I do not think there is anything new in the suggestion that it is pretty difficult to see how you can reduce municipal taxation or perhaps even counter the trend toward rising municipal taxation, especially in the congested areas. It seemed to me that all the bigger centres are now getting into the position where they can hardly finance the additional facilities which the congestion of population requires. So to my mind it would be easier if we could decentralize.

Perhaps I am not being very helpful to you. I would not like to see anything done by which we would just say, "You cannot start your industry here; you must start it over there," but on the other hand I think perhaps there is some value in doing a bit of leading, and that was pretty much what we had in mind.

THE CHAIRMAN: Thank you very much.

MR. FORSEY: Productivity, automation and full employment. There are no satisfactory Canadian productivity figures, unless you have succeeded in getting some which are not

yet available to the general public. There ought to be.

THE CHAIRMAN: Do you believe they can be developed on a reliable basis?

MR. FORSEY: Oh, I think reasonably so. They will be subject to all sorts of imperfections, but then everything is in this world, and I am inclined personally to be a little peevish about the attitude of the official statisticians that such things are too high for us, that we cannot attain them.

Some years ago, in fact, we tried on our own account to produce such figures, chiefly with the idea that the statisticians would be so annoyed with the imperfections of our figures that they would produce something better, but they declined to be goaded into this endeavour. I believe they have had an interdepartmental committee sitting on the subject for an extraordinary length of time. Every once in a while we get a masterly analysis of all the difficulties in the way, and the assurance that they are still sitting. But the fruits of their sittings seem to be almost as completely lacking as the results of the sittings of that royal commission under section 94 of the British North America Act, to unify the civil laws of all the provinces other than Quebec. We kept hearing about it during the first few years of confederation, but apparently the work just petered out and nothing

happened. After about 1873 we ceased to hear about it.

We do not seem to hear very much about this committee, except at intervals, when we are told that somebody is working on this idea, but the difficulties are enormous.

We think the effort should be made. They are doing it in the United States, I think, and I decline to accept or acknowledge any inferiority complex on behalf of our statisticians here. I think our dominion bureau of statistics is by common consent one of the best in the world. We do not see why in Canada, if necessary in the economics and research branch of the department of labour, we do not develop some productivity figures in spite of all the difficulties in the way. Qualify them in any way that may be considered necessary. I suppose people will pick them up without the qualifications, but that happens with every statistic you can think of.

THE CHAIRMAN: That is what we are afraid of.

MR. FORSEY: Perhaps you will think we have given some examples of it. I hope not.

THE CHAIRMAN: I like your idea. I once worked for a man who was a very brilliant member of the civil service here, who said he would prefer to have statistics, good or bad, rather than nothing.

MR. FORSEY: We suggest that the government should start at once on this, especially as the onset of automation will make the whole subject far more important, notably in industrial relations.

We expanded a little on that in our brief, as you may have noticed, and suggested that where the increase in productivity year by year is rather small, it does not play a large part in industrial relations. But if it becomes much larger, as the indications are that it will, it may play a larger and larger part in industrial relations; and the absence of any such figures may seriously interfere with that informed bargaining which we suggest is highly desirable.

Automation deserves an inquiry to itself. Even in the United States, where immeasurably more has been written on the subject than here, there is general agreement that further research on a large scale is essential. Our submission contains over five pages of the specific things the American experts think should be investigated there; and in Canada there are additional problems arising out of our proximity to the United States.

You were kind enough in your introductory remarks to refer to the study on this subject which we have been doing for you, which is not yet complete but which you will have

very shortly. I am afraid that if it comes even within shouting distance of deserving the kind words you have said about our efforts so far, it will still be extremely and I am afraid necessarily incomplete and sketchy, because the subject is so enormous and so relatively little has been done on it even in the United States, with their greatly superior resources for the purpose.

So I hope nobody will say, "Well, you are crying down your own wares" or crying down what the commission is doing, but I am inclined to think that even if you get a decent, workmanlike job on the subject there will still be room for a very much more thorough and detailed piece of work than anything that has been done yet, either in the United States or here.

Unemployment figures in 1955 did not respond satisfactorily to the upsurge in production, and the prospects are that unemployment this March -- which is usually the worst month for it -- will be the third worst since the war. This situation needs careful watching. Full employment is an essential prerequisite for solving any employment problems automation may raise. It is essential anyway, but becomes, if possible, even more so if automation unemployment is to be piled on top of the other kinds we already have.

Full employment means as many jobs as there are workers. It does not mean that at any given moment everybody must have a job. People must be free to change jobs. Industries must be allowed to grow and decline. We cannot undertake to preserve a carriage and wagon industry in an automobile age.

At any given moment, therefore, there will be some people out of work, even if there are as many jobs as workers. Some people will have just left one job and not yet found another. Some of the jobs available may be the wrong kinds or in the wrong places. Fitting the workers to the jobs, or getting the jobs to the workers or the workers to the jobs, may be an enormous task. But if there are enough jobs to go around, the indispensable condition for solving these problems is present. If there are not, then even if all the right measures are taken to handle the detailed problems, there will still be an unemployment problem, and a wholly intractable one.

So the first thing we have to do if we are to cope with automation is to establish and maintain general full employment. This is primarily the task of the national government, by the familiar measures of monetary policy, tax policy, tariff policy, public investment policy, surplus and deficit financing, dominion-provincial financial arrangements, social security policy.

Part of the responsibility for maintaining general full employment also rests on the trade union movement. The highest wages industry can afford are absolutely essential to the maintenance of consumer purchasing power, on which, ultimately, the whole economy depends. If unions did not continually press for such wages, they would be derelict in their duty not only to their members but to the nation.

MR. GRAUER: When you say that full employment means as many jobs as there are workers, I understand there are about 3 per cent involved in this shifting from one industry to another.

MR. FORSEY: My recollection is that Lord Beveridge suggested a figure of about 3 per cent as representing this inevitable unemployment even when there are as many jobs as there are workers. Various other economists I believe have suggested 5 per cent. It is somewhere in that neighbourhood. I would not think we would commit ourselves particularly to any definite figure of that sort.

MR. GRAUER: So that at any given time there would be a deficiency of from 3 per cent to 5 per cent of workers for the jobs if you had as many jobs as there were workers?

MR. FORSEY: Yes. But you see in the United Kingdom at the moment they actually have more jobs available than there are workers;

yet there is still about one per cent of the working force there which is not actually employed, which is listed as unemployed.

MR. GRAUER: Then you take up the slack by overtime; is that the idea?

MR. FORSEY: I suppose that is what they may be doing, and I suppose some things are just lagging behind and not getting done.

MR. GRAUER: I was wondering what the policy was that you are advocating. I do not know if you get what I have in mind. If full employment means as many jobs as there are workers, and if from 3 per cent to 5 per cent of the workers are not in jobs at any given point of time, then there is an undersupply of workers for the available jobs to that extent, if they are working ordinary time.

MR. FORSEY: Yes.

MR. GRAUER: So I assume your reasoning must be that the slack would be taken up by overtime?

MR. FORSEY: Well, I do not very well see how else it could be taken up, and of course the existence of premium overtime rates would help to speed up the adjustment, we would hope, of workers to jobs in every case, because it would not be advantageous for the employer to go on trying to manage the

thing by overtime if he had to pay extra.

MR. GRAUER: Some unions have a policy against working overtime, have they not?

MR. FORSEY: None of us like it.

MR. GRAUER: There would have to be a reconciliation of policy there, of course. You could not have a deficiency and then say, "We will not work overtime."

MR. FORSEY: Well, I don't know; you might.

MR. GRAUER: Well, not from a public point of view.

MR. FORSEY: Then certain things would just be delayed, I suppose.

MR. GRAUER: I was thinking, of course, from the social point of view, which you say your organization follows and I have no doubt it does. You would not want that situation to obtain, would you?

MR. FORSEY: No, but we do not want to work overtime, either. However, if people want us to work overtime, they have to pay us extra.

MR. STEWART: I think Mr. Grauer's question implies that there are so many jobs, so many pieces of work that have to be done. Your point, as I understand it, is that there should be at least employers looking for so many workers, and if they cannot get them they do not get them but still they are looking for them?

MR. FORSEY: Yes. I think Mr. MacDonald wanted to say something there.

MR. MACDONALD: Nothing on that particular point. I merely wished to suggest that the number of people who would comprise the 3 per cent to 5 per cent of unemployed are not necessarily a stagnant group. A large proportion of them would be people in the process of transferring from one job to another, and therefore the necessity for overtime in the job to which they were transferring would automatically be eliminated once they took over the job.

MR. FORSEY: Also I might venture to suggest this, that this matter ties in with the question of training and retraining; the mobility of labour and all the rest of it; the location of industry, the thing Mr. Wismer was talking about it. The better we can adjust the supply and demand of labour, the smaller will be this percentage. It is also affected by what we do about seasonal unemployment, of course, on which the government is making very praiseworthy efforts now, which I hope it will pursue with even greater zeal.

THE CHAIRMAN: In the last paragraph the summary says:

"Part of the responsibility for maintaining general full employment also rests on the trade

union movement."

I suppose the implication of the "part" is that consumer purchasing power can be increased by other means than through the trade unions?

MR. FORSEY: Oh, yes, quite clearly. But we think we have a part to play there, too, and we wanted to emphasize that when we go out asking for higher wages, instead of getting brickbats we should get bouquets on many occasions from the non-labour public, for helping to maintain the general prosperity.

THE CHAIRMAN: It is a question of degree, of course, and that is what I am trying to get at. When you say:

"The highest wages industry can afford are absolutely essential to the maintenance of consumer purchasing power --"

I take it that must be read along with the "part", so that the highest wages industry can afford takes into account that portion of the increased productivity which one assumes must go to other consumers than trade unionists?

MR. FORSEY: Yes, certainly.

MR. STEWART: On this general point, you have listed several, or perhaps some, of the measures which may be involved in maintaining a total demand for labour sufficient for full

employment. How clever are we at the application of these devices? Do you think we can count upon being able to use them in such a way as to maintain that total demand?

MR. FORSEY: I am fairly optimistic about that. Perhaps I am too optimistic; I don't know. I have had the experience of being a fairly good guesser about these things both during and since the war. I may have been just lucky, but I am inclined to think that short of some catastrophic disaster occurring, perhaps in the United States, we can do a great deal with these things.

I would be inclined to say that if you had a really first class depression in the United States, then anything we could do here would never mitigate the severity of the effect upon us. I do not think we are in a position to maintain our economy at full blast if the United States economy goes to pieces. I am rather inclined to think a good many other countries would be in a very bad position also. But given any kind of reasonable economic activity in the United States, I think we can probably, by these various devices that have been suggested, manage fairly well to keep the fluctuations within pretty narrow limits. That may be too optimistic.

MR. STEWART: I would like to ask a question later about these effective

external factors; but as far as internal capacity to manage our own affairs and to apply these policies is concerned, you think it is a reasonable bet that we can take a chance on a large measure of success?

MR. FORSEY: I think so; and while I am not in the habit of giving bouquets to the administration in office, nevertheless I think in the first place we have pretty competent people and economic experts in the employment of the government of Canada, and I think on the whole the government of Canada has shown in the years since the war a pretty reasonable willingness to be guided by those people and even, on occasion, to take unpopular stands and follow unpopular courses on the best expert advice available when they thought it was necessary to do so.

I am on the whole rather optimistic. I do not not say I agree with all that has been done; neither does our group as a whole, but I think in all fairness we must say the government has shown a reasonable capacity in this respect, a reasonable degree of enlightenment, and a fair amount of political courage on occasion. And from somebody who was brought up a Tory and became a C.F.F.'er, I think you will have to admit that is something.

MR. GRAUER: It was suggested to us by one economist that our knowledge of these

things is such that full employment could be maintained by a provincial policy.

MR. FORSEY: I think that is crazy. The provincial legislatures and governments simply have not the power to handle these things. Just look at the list of things they cannot do. They cannot do anything about external policy or about tariff policy. They can do a certain amount of public investment if they are able to. They cannot do anything about finance, and certain fields of social security have been withdrawn from their jurisdiction, notably of course unemployment insurance.

I think that is a pure pipedream, and illusion; and I would be very surprised if you would find any considerable number of economists of any stripe, kind or description who would support that view. I do not know who the economist was who said this. I can guess if I have to. This is just indulging in a bit of wishful thinking, to say the least.

THE CHAIRMAN: You have been successful in your forecasting so far, so we will not go into that case, I think.

MR. FORSEY: Shall I proceed?

THE CHAIRMAN: Yes, please.

MR. FORSEY: Making full employment real. Unemployment is a problem not only of the number of jobs but of the kind, and where they are.

Everyone agrees that automation will make some skills obsolete. Everyone agrees it will create a demand for new skills.

Everyone agrees that automated industries will need a smaller and smaller proportion of unskilled and semi-skilled workers and a larger and larger proportion of professional and skilled workers.

In short, there will be many new job opportunities. There will also be a large supply of people to take advantage of them; young people, and displaced unskilled and semi-skilled, and displaced skilled workers whose skills have been taken over by the machine. But to bring the opportunities and the workers together will require training and retraining. Government and management will have to do this. The schools will have to give the young people the mathematics and other basic subjects which will enable them to understand the new jobs. Government, or government and management together, will have to do the same sort of thing for displaced workers. Management will have to do a lot of systematic training on the job.

And while people are being trained and retrained, they have to eat. This means more scholarships and bursaries. It means maintenance, by management, of displaced workers whom it is retraining. This is part of the social

cost of automation, which ought to be borne by those who introduce the new processes for their own profit.

Retraining the oldest workers may be impossible. Their unexpectedly early obsolescence is another of the social costs of automation. At least part of it should be borne by management in the form of adequate severance pay. This should be supplemented by higher old age security payments, available earlier, or by suitable changes in industrial pension plans, or both.

That is a very, very condensed summary of a good deal of material which we have put in the brief.

THE CHAIRMAN: I think we might just carry on.

MR. FORSEY: Location of industry. Where the new jobs are is particularly important in Canada, with its vast distances and its two cultures, especially since unemployment is very unevenly spread. It is usually much the heaviest in the Atlantic provinces, next heaviest in Quebec, lightest in Ontario. On the face of it, the possible thing to do is to move workers from the Atlantic provinces and Quebec to Ontario. But this would mean scrapping a lot of social capital. It would also mean weakening two of the historic communities we want to preserve. Bilingualism won't get around the

French-Canadian part of this, either: it would take too long. At the last census, only 31 per cent of French-Canadians were bilingual, and only 3.8 per cent of the rest of us.

Clearly it will take some time to get even the majority of the French-Canadians bilingual, let alone a majority of the rest.

Besides, it is not just a question of language. It is also a question of institutions: schools, hospital systems, the civil law and the common law, etc. Even if we were all bilingual, these differences would remain. Most of us want them to remain. We don't want to see Quebec made into the likeness of Ontario, or Ontario into the likeness of Quebec, even a bilingual Ontario or a bilingual Quebec. Wholesale migrations either way would require a whole series of difficult adjustments. I think that is the understatement of the year.

There is room for assisted migration, within a region, or even in some cases between regions. There may be cases where there is nothing else to do. But in our judgment, it is, from every point of view, much better to bring the industry to the workers. It avoids waste of social capital, seen in its most acute form in the ghost town. It avoids social disruption. It preserves communities with a valued and valuable tradition. And it may well be economic, from the point of view of the

nation, though not of the particular firm.

The particular firm, left to itself, will go where it will make the most profit. If that involves ghost towns, the cost, as a rule, does not fall on the firm. If building the plant in a new place involves building a whole lot of housing, schools, etc., little or none of the cost of that falls on the firm. There may be a marked discrepancy between the private interest and the public interest, even in pure economic terms.

All this becomes even more important in the context of automation. From management's viewpoint, it may often be cheaper to build a completely new plant somewhere else than to automate an old one. Unions can, to some extent, stop this by getting the guaranteed annual wage, and by insisting on company-wide seniority. But they may not have enough of the workers organized; and getting the G.A.W. and company-wide seniority may take much too long. Governments will have to step in to see that the employer's private profit does not take precedence over the public interest.

They can offer firms tax concessions or other financial inducements to stay in, or go to, areas which might be officially designated as "special areas". This would be like the United Kingdom policy for areas like South Wales.

Then the governments, particularly the dominion government, could channel their purchases to firms which went to, or stayed in, the "special areas".

Third, the dominion could subsidize freight rates to and from such areas, as, in effect, it has already done.

Fourth, the dominion could subsidize the provision of power in power-poor "special areas".

We suggest the maritime provinces might be designated a "special area". They made enormous and essential contributions to the founding of the Canadian nation. They have always paid their share of the cost of national development. They have never got their fair share of the proceeds, and they deeply resent it. They are not only still far behind the rest of the country, economically, but, in general, have been falling farther behind since the end of the war. It is not good for Canada that any region should be in this position.

THE CHAIRMAN: I have two questions I would like to ask. You mention that unemployment is highest in the maritimes and second highest in Quebec. I think the maritime situation is very much in the minds of most people, and I do not want to pursue that because I think the reasons are clearer than in the case of Quebec; but I would like to

ask you why there should be a greater measure of unemployment in Quebec than in other provinces.

MR. FORSEY: My guess would be that that is partly because you have there a very large surplus labour supply in the rural areas. You have a lot more people in the rural areas than they can support adequately at the present time. There is a tendency for them to come into the towns and cities where the industrialization is going on very quickly, but I think not quite quickly enough to handle all those who come in.

THE CHAIRMAN: You mean it is not going on as quickly as it is in other parts of the country?

MR. FORSEY: I would not necessarily say that. I am not in a position to say.

THE CHAIRMAN: Very well, but you think there are more people coming into the cities and towns?

MR. FORSEY: There are more people coming into the industrialized areas in proportion to the degree of industrialization going on, than in some other parts of the country.

THE CHAIRMAN: Is that the whole answer, or is it the nature of the industry in

the province that has something to do with it?

MR. FORSEY: Well, there may be something in that, I suppose.

THE CHAIRMAN: By and large there are some substantial differences in emphasis in the nature of the industry in Quebec and Ontario, for instance.

MR. FORSEY: Yes, that is true, although I think it is sometimes exaggerated. You sometimes hear it said, for example, as I have heard it said, that the reason for the lower standard of living, lower wages and so on in Quebec in comparison with Ontario is that in Quebec you have virtually no heavy industry; that the heavy industry is concentrated in Ontario, and in Quebec you have only a lot of light industry, which does not and cannot pay the same kind of wages.

That has some measure of truth in it, but not nearly as much as some people make out. I made an analysis of the situation a couple of years ago when I was appearing as a witness before a Quebec arbitration board in a certain industry, and I was very much interested and indeed rather surprised to find how little truth there was in that on the whole. There are some very big heavy industries in Quebec. You have not, of course, a basic iron and steel industry of any scale, and you have not an automotive industry, but

you do have some very considerable heavy industries in the province of Quebec; railroad rolling stock, for example, is pretty heavily concentrated there, and you also have, incidentally, some very high wage industries in the province of Quebec, industries that normally do pay high wages, like petroleum refining.

I think this argument about the difference in the type of industry is sometimes over done. I confess I have not considered it in relation to the absorption of labour, the absorbing capacity of the various industries. Of course one industry that would take a very high proportion of labour is the textile industry, but it has fallen upon rather evil days in the last few years, so that has not been as much help as ordinarily it would be in absorbing part of the surplus labour population.

I do not know whether Mr. Jodoin would like to add to that, but after all he has an experience and knowledge in this which I do not possess.

MR. JODOIN: No; I believe the premise of your statement is right. I would say that is very much so, the way Mr. Forsey has indicated in particular in one of the industries in the province of Quebec which was one of the biggest employers and one of the best industries as far as providing employment

in rural sections of industrialized Quebec, which is certainly not in that position today. But of course there is always some kind of a period of transition, and you also have to figure on that.

I was listening a little while ago very attentively, for instance, when you were talking about the forest industry, saying that there is a terrific turnover. At the same time we are talking of decentralization. You do not mind if I come back to that, because I think it is in the light of the discussion we are having at the moment.

As Dr. Forsey has just mentioned, as far as we are concerned in organized labour we believe that we need education, and we have had many instances of that need brought out. There is one thing about organized labour activities, and that is that they are not routine. There is always something new coming along in the social and economic field.

I believe that corporations need education also. It is a matter of convincing them that they have to participate in the kind of decentralization we are thinking of, even including the possibility of establishing important industries in the maritimes. You cannot tell them; we never want the idea of dictatorship, under which they would be ordered to do so, but I think through the medium of

education it could be done.

That is why I believe that when we talk about the maritimes and Quebec there is that reason for the difficulty, the problem of having men change their jobs. So I am in complete accord with Dr. Forsey in his statement on this matter.

THE CHAIRMAN: Dr. Forsey, there was another point I wanted to raise. You have spoken about the maritimes and the need for cheap power and the desirability of assistance. We heard a good deal about that when we were in the maritimes. We heard a great deal about it in the province of New Brunswick.

What people did not tell us in the province of New Brunswick was that before very much more power can be developed on the Saint John river there have to be storage facilities made available either in the state of Maine or, to a less important extent, in the province of Quebec, which would mean the disruption of certain areas in the province or in the state.

Those are things on which you have to persuade the people in Maine to go along with and help before you can have cheap power in New Brunswick. We have been told it is not just a question of deciding that we will go ahead and build the works ourselves.

MR. FORSEY: No, but there is

the question of getting started on the thing. It seems to me that what we are suggesting is not that there are not any difficulties, but that something should be done about overcoming the difficulties. I think there are too many people in this country who are prepared to reel off to you what are all the difficulties in the way of doing something. We could do that, too.

THE CHAIRMAN: That is fine, but just the same, while I agree with your point that we should not stop because there are difficulties, on the other hand I think it is wise sometimes to realize that some of these things may not be possible.

MR. FORSEY: Not immediately.

THE CHAIRMAN: And that is one with which we are struggling, and for which we have not found the answer.

MR. JODOIN: Of course we do not believe in the word "impossibility".

THE CHAIRMAN: That is fair enough.

MR. FORSEY: When you are dealing with the United States, with its system of government and the inability of its administration to carry its legislature with it, you are up against very serious difficulties, of course. That has always been the case in the whole history of Canada. The second volume of this

work on Sir John A. Macdonald shows the difficulties, and I do not know that they have grown any less.

Granted, you have to deal with that American attitude. All right; get started dealing with them and don't just sit back and do nothing. Granted you have to arrange something with the province of Quebec, and I remember hearing my friend Senator Pouliot talking about this. Get started on it.

The thing I had in mind in connection with this part of the brief was the kind of reaction I had witnessed on the part of a junior member of the government down in Charlottetown last June, when he gave us the brush-off on this business of dominion aid in the development of hydro power in New Brunswick. He said, "Oh, we have never done that; it is absolutely unprecedented." It was an outrageous thing to ask them to do something they had never done before. True, other provinces have had help for railways and for this and that. They have had help for canals and so on, but never for hydro power, and he appeared to think this was an entirely convincing answer.

It seemed to me to be anything but a convincing answer. It was a most disingenuous plea for doing nothing. While I do not mean the people up here on Parliament Hill

will just wave a wand and the water will come spewing in, still it is possible to engage in international negotiations and even in the perhaps equally difficulty sphere of provincial negotiations.

THE CHAIRMAN: All I am saying is that I do not think we should assume that has not been started.

MR. FORSEY: I wish there were more definite visible signs of it.

THE CHAIRMAN: We have heard a great deal of it. Anyway, it was probably foolish of me to start discussing the maritimes with you.

MR. FORSEY: I was rather rash, considering that there are three of us who might be considered to be pretty familiar with that matter.

MR. GRAUER: One is certainly struck with the differences between the various areas of the provinces. One maritime premier told us that as far as his province was concerned, all he wanted was a substantial federal assistance in a road building programme; that if he had that, they could take care of everything else.

Coming back to some of the things we have just covered, we make the assumption of a full employment economy, I think, that is generally made these days, and

I think very frequently, based on that, we assume the federal government will give assistance through these tax rental agreements.

Under those conditions I think there is some danger of assuming a non-expanding economy for the purpose of talking about individual points. Where you have an expanding economy, a full employment economy, there is going to be more and more industry just in that natural course of expansion, to settle in all areas.

MR. FORSEY: I am not so sure that that particular thing is true.

MR. GRAUER: Well, anyhow, the material presented to us in each province has shown this so far.

MR. FORSEY: Perhaps you could put it this way: there will be more, but perhaps very unequally more.

MR. GRAUER: So the point really gets down to this. Are you prepared to locate industry by fiat or persuasion or something like that, which gets into a very complicated field, because there are a lot of things from a social point of view involved in where an industry operates. It cannot be just planked down in one region for a sentimental reason.

MR. FORSEY: We do not suggest that, nor do we suggest locating it by fiat.

MR. GRAUER: Well, all I am bringing

out is that there are some dangers of rigidity. You stress flexibility, for instance, in dealing with the immigration policy, and I think that same approach would be required when you face this question of the location of industry. It is a very difficult subject to be rigid about.

MR. FORSEY: Yes. The only thing I would be inclined to say there is that I think there is a certain tendency in some quarters to think that flexibility is the be-all and end-all, just as some people are inclined to think you have damned any proposition by saying it would reduce the mobility of labour. I think it is a point against any proposition if it reduces the mobility of labour, but I do not think it is necessarily a decisive point.

It is similar with this. If you say this would introduce some degree of rigidity, that may be quite true but it may be that is part of the price we have to pay. There is a point beyond which you do not want to go in introducing rigidity, but the mere fact of introducing of some rigidity at certain points is not necessarily a decisive argument against that policy.

MR. GRAUER: We see some pretty outstanding examples of rigid economic societies elsewhere, and the point is that there is no merit in simply making society rigid.

MR. FORSEY: No. We are not

suggesting that; but there may be merit in certain social controls of one kind and another which introduces some rigidity. We have done quite a lot of things which do introduce rigidity into our system. Perhaps we have gone too far in some and not far enough in others. I say flexibility is a factor.

MR. GRAUER: You can have a local, regional interest which is pretty selfish, as well as anything else.

MR. FORSEY: Yes; regional sin is not a monopoly of any one part of the country.

MR. GUSHUE: I wonder if you could get at the root cause or causes of the lack of development, or the falling behind, of these areas such as the Atlantic provinces, and how to treat these fundamental causes.

MR. FORSEY: Well, that is one reason we mention power. I think that is one factor in the situation, at least in the province of Nova Scotia.

MR. GUSHUE: That would not apply to all the provinces.

MR. FORSEY: No.

MR. GRAUER: What industries do you think would locate in Nova Scotia if they had, say, 4 mill power?

MR. FORSEY: I am not in a position to say; I would be just talking through

my hat.

MR. GRAUER: I say that because I think there are very few industries which would locate geographically because of power.

MR. FORSEY: That is possible. I am not in a position to say, frankly. I think another factor there, of course, in connection with the Atlantic provinces generally, is distances from the markets of central Canada.

MR. GUSHUE: From the large centres of population.

MR. FORSEY: Yes. That is the thing you have to deal with, as it has been dealt with to some extent by special transportation policies. That is given the assumption we are working on, that you just do not want to create in the Atlantic provinces a set of tourist resorts, and shift people out of there and bring them into Ontario.

MR. STEWART: In principle you would prefer to develop resources and provide employment which would raise earnings?

MR. FORSEY: Oh, yes.

MR. STEWART: And to do that by assistance rather than merely accepting the level of employment and earnings and providing social services on a large scale?

MR. FORSEY: Oh, yes, quite.

MR. STEWART: Presumably at the same cost?

MR. FORSEY: Yes.

MR. GUSHUE: We had some evidence, not quite on the same point, of competition between towns in a province for industry. One person admitted very frankly that he had come to the conclusion that industry looked around and made up its mind first, and then set up competition in the bidding to get the best price from the places it intended to go. That is quite possible too, I suppose?

THE CHAIRMAN: I wonder if we might have a recess at this point.

---Recess.

---After recess.

THE CHAIRMAN: I think we might as well get started, and we will hold our interruptions to the end, or try to.

MR. FORSEY: Dominion-provincial finance. Three principles should guide national policy here:

(1) The dominion must have enough taxing power to control the trade cycle. No other government or combination of governments can do it.

(2) All the provinces must be placed in a position where they can carry out responsibilities assigned to them by the constitution, and give their citizens approximately the same services as those of the

richest provinces. This means the poorer provinces must get help from the national treasury. That means the national treasury must have enough taxing power to get the necessary revenues.

(3) Any arrangements arrived at must scrupulously respect, to the highest possible degree, the autonomy of the provinces within their constitutional sphere. We do not want to see Canada made into a league of ten sovereign states, merely associated in a Canadian commonwealth of nations. We want one nation, but one nation which respects and cherishes the two traditions upon which it rests. We want to preserve and develop a federal system which serves the whole nation and all its parts.

Processing of raw materials in Canada. We are in favour of as much processing of our raw materials in Canada as possible. We recognize that the principle is not always easy to apply, notably because the American tariff often lets in our raw materials free and shuts out our finished products. We understand you have commissioned detailed studies of a series of industries. We urge that wherever such studies show it can be done, you will recommend the fullest possible processing of Canadian raw materials in Canada.

Canadian power for Canadian industries. Even if we often have to let

the Americans have our raw materials, we do not have to let them have our power. This policy has been consistently applied to hydro power. We think it is the right policy, and for other kinds as well, notably natural gas. But here it does not seem to have occurred to our national government that the policy steadfastly adhered to for hydro power has any application. Indeed, it does not seem to have occurred to the government that the policy of Canadian control of the lifelines of Canadian economic existence, long ago adopted in the building of the C.P.R. has any application either. For that principle, Macdonald fought against what must have seemed hopeless odds, and finally triumphed. If he had not, none of us would be here today; and if Canadians today are not prepared to make the same fight, against much smaller odds, the future economic development of Canada will be severely and needlessly handicapped, and we shall find ourselves watching American industry grow fat, at the expense of our own industry, on our cheap gas power.

We think the trans-Canada pipe line ought to be built in Canada. We think it ought to be controlled by Canadians. We think it ought to be publicly owned. We think the gas should be made available first to Canadians and Canadian industry, and we should export only what we do not need ourselves.

The present proposal violates every one of these principles except the first. It provides for a line with the cheap and profitable part built by private enterprise, the costly and unprofitable part by public enterprise, with the whole thing controlled by Americans primarily for Americans, and with every prospect of a very long delay before we get even the meagre share of the gas it offers to Canada. We have given you over two pages of facts about the scheme, and six pages of reasoned argument against it. Our conclusion is that it is a gigantic give-away of a priceless and irreplaceable natural resource; a deadly threat to the future economic development of Canada, and a double threat, since it involves not only starving Canadian industry of power it needs, but feeding American industry with what is withheld from our own. The delay in securing the approval of the Federal Power Commission provides the government with an unlooked for and undeserved opportunity of extricating the country at the eleventh hour from an impractical and improvident scheme, and doing now what it ought to have done in the first place: build the line as a public enterprise. Nothing less will discharge its duty to the Canadian people.

Domestic and external markets.

For the growth of the domestic market, what is

needed is high and rising levels of employment and income. If the working population of Canada ~~has~~ enough jobs, and enough purchasing power, the domestic market as a whole will look after itself. There may well be shifts within it. The market for services is almost certain to expand faster than the market for goods, the market for "luxuries" faster than the market for "necessaries". There will also be shifts resulting from changes in taste and new discoveries. Our desire for security for the nation's workers in no way implies a desire for a freezing of the present industrial pattern. We believe wholeheartedly in a dynamic economy.

Indeed, we believe the trade union movement has been one of the main forces in making and keeping the economy dynamic. Unions have forced employers to look for and adopt technological advances, instead of relying for profits on naked exploitation of underpaid labour. By raising living standards, unions have expanded the economy; by stabilizing income through social security and other full employment measures for which they are largely responsible, they have helped to stabilize the economy, making sure that expansion should take place at a reasonably steady rate, not in a devastating series of booms and depressions. By collective bargaining, they have broken the despotism of the employer in the plant. By all these activities, and

others, they have given both our economy and our political institutions a stability, solidity and depth which they could never have achieved otherwise.

Some critics say union policies are a danger to the stability and orderly progress of the economy because they are necessarily inflationary. The argument often runs that wage gains are illusory because they are all swallowed up by price increases. This would mean that increases in real wages are impossible. But the official wage and price indices show that from October, 1949, to April, 1955, real wages had risen almost 20 per cent.

External markets. External markets are of enormous importance to us. Our per capita trade is the largest in the world. We have equipped ourselves to produce and ship far more of our export staples than we could ever consume ourselves. We must export. We must also import, for there are many foods and industrial raw materials we cannot produce here at all, or can produce only in inadequate quantities or at exorbitant cost, or both.

We think the prospects for growth in the external markets for our export staples are excellent, despite our present difficulties in selling enough wheat at satisfactory prices. We hope that export markets for more of our

manufactured goods will open up in the future. The chief obstacles are the United States tariff, economic nationalism in the underdeveloped countries, and external control of some potential export industries.

We are uneasy about the proportion of our trade that takes place with the United States. It is the biggest and fastest growing market in the world, but perhaps may turn out to be also the most unstable.

Tariff policy. We want the largest possible area of reasonable, unfettered international trade. We want to expand our markets in the underdeveloped countries, and in Japan, industrialized but with a low standard of living. These millions do not now constitute an effective demand for our exports. They are too poor. Their standards must be raised. The two Congresses have vigorously supported every form of international action to do this, including the efforts of the international confederation of free trade unions to organize the workers in underdeveloped countries.

But raising standards in the underdeveloped countries and Japan will almost certainly take a long time. Meanwhile, some of our own industries, notably rubber footwear, textiles and some sections of the ladies' garment industry, face serious, sometimes disastrous, competition from the grossly underpaid labour

of certain Oriental countries. This is a situation which is likely to continue and spread. The government and people of Canada have got to make up their minds what they are going to do about it.

If they decide to let such industries go to the wall, the workers in them must be looked after. They must be retrained, moved if necessary, pensioned off if they are too old to move or be retrained. If letting the industries die is judged to be in the national interest, the nation, which gets the benefit, must also bear the cost.

But letting such industries die may not be in the national interest. Getting the product as cheap as possible is not the only consideration. Getting it at all is no less important. If we become dependent on Hong Kong for our rubber footwear, and war cuts us off from Hong Kong, we shall suddenly find ourselves very hard put to it. There is also the cost of abandoning social capital in the places where the domestic product is made, or the cost of inducing other industries to come in, or of moving the workers out.

If the country decides¹ to keep these industries alive, it can do it without violating GATT, without insulating Canadian industry from external competition, without building an insurmountable wall against the

products of the underdeveloped countries. Most of the latter are raw products which do not compete with ours. Japanese manufacturers often do compete. We recognize that Japan must export manufactures to live; if she can't export, she will almost certainly go communist. In our own long-run interest, this means that we shall have to take a substantial quantity of Japanese manufactured goods.

But this does not mean we have to take unlimited quantities of anyone's manufactured goods. Competition from plants paying lower wages than ours is one thing; it may be largely offset by higher productivity here. But competition from labour that is virtually unpaid, as in the Hong Kong rubber footwear industry, is, we think, in a different category. We suggest three methods of dealing with such competition. We are not wedded to any particular one. What we do insist on is that a policy should be worked out which does not leave Canadian workers naked to the blasts of competition based on starvation labour.

External ownership and control of Canadian industries. External investors, notably American, control about a third of Canadian business, especially mining, manufacturing and public utilities. American companies control the automobile, rubber, oil, nickel, aluminum, copper, iron ore and asbestos industries.

What harm does this do?

(1) By direct control and through patents, American companies prevent Canadian firms from exporting. In the automobile industry, the wholly-owned subsidiaries of American firms export only when it suits the convenience of the parent concern. Ordinary economic factors are not allowed to operate. Government policy does not even come into the picture.

(2) Automation might mean that an American parent company, having automated its American plant, might find it cheaper to close its Canadian branch and ship direct from its American plant.

(3) The proposed trans-Canada pipe line provides another example of the perils of American control.

(4) American firms, in some cases, give their Canadian employees as little as possible of what they give their American employees, and as late as possible, and only when well prodded or kicked into it. We give examples in this large document.

(5) Wholly owned subsidiaries of American companies do not publish financial statements. This leaves unions and the public in the dark. This does not make for realistic union demands; unrealistic demands could have very serious effects for the workers and for the

economy. This situation should be ended promptly.

Alleged American control of Canadian unions. Over 70 per cent of Canadian trade unionists belong to international unions, with their headquarters and most of their membership in the United States. The Canadian membership make their own decisions and run their own affairs. But the relationship is none the less unique, and has been a perennial subject of uneasiness, real or feigned, among Canadian employers, some groups of Canadian workers, and considerable sections of the general public.

We examine in the submission ten charges often brought about against international unions in Canada. Fair samples are that international unions can order Canadian workers out on strike to serve American ends. This is wholly false: they cannot order anyone out on strike for any purpose. That international unions put ideas like the guaranteed annual wage into Canadian workers's heads. If they had belonged to purely national unions, it would presumably never have occurred to them that Canadian workers have to have food and clothing and housing all the year around, just like American workers. That international unions hamper our industrial development by demanding American wages in Canadian plants. Actually,

very few unions in Canada have demanded wage parity, and then only for what they considered good and sufficient reasons in the particular industry concerned; and the gap between American and Canadian wages has, in most instances, been narrowing only very slowly, and has often actually widened in the last four years. That international unions take large sums out of the country. Actually, probably at least half the dues stay with the local union; much of what "goes" to international headquarters doesn't cross the border at all but is deposited in Canadian banks; and very large payments, probably larger than what go out, come in for strike relief, etc.

Labour-management relations.

Good union-management relations are important to Canada's economic development, notably because of their close relations with productivity and living standards.

Certain principles lie at the root of good union-management relations.

(1) The right to strike is a basic civil liberty, as basic as the right of association or free speech.

(2) Bargaining in good faith is indispensable.

(3) Informed bargaining is no less so. All companies, American or Canadian, public or "private", of any size, ought to be compelled to publish their financial statements. That is perhaps a little ambiguous. We are not

suggesting every company that has two employees, but any company of any considerable size. All governments should publish reports of their conciliation boards and of arbitration cases within their jurisdiction. The dominion publishes conciliation board reports. Quebec does likewise -- of course there they are called arbitration awards -- and also publishes awards in the industries where arbitral decision are binding. They are called by that name in several provinces, and in others they are called conciliation awards. Ontario, the other chief industrial province, publishes nothing. It could and should.

(4) There should be effective settlement procedure. In the dominion and most of the provinces, the present procedure is slow and cumbersome, and the long delays are weighted against the union, and often serve as "hotting up" rather than "cooling off" periods.

(5) Jurisdiction should lie where it can be effectively exercised. But in such nation-wide industries as pulp and paper, meat packing and some parts of the steel industry, a single union, confronting a single company, has to go through eight or ten different conciliation processes, wasting the time and money of both sides and delaying a settlement. We think this state of affairs should be ended by parliament declaring the plants of

such industries "works for the general advantage of Canada", and so bringing them under its own exclusive jurisdiction.

We are emphatically opposed to compulsory arbitration, for reasons which we have set forth at some length, among them that it does not prevent strikes, as Australian experience abundantly proves.

No society is free in which unions are not free. They bring a measure of representative government into the otherwise hierarchically or despotically run corporation. They convert the worker from a commodity into a human being, with status and voice. They remove the imbalance between the large and powerful corporation and its employees, who, when unorganized, are nothing but "the disordered dust of individuals". Whether Canadian industry will be marked by strife or by accord between labour and management will depend in large measure on governments' and managements' attitude to unions. Canada's economic prospects as a consequence will depend on whether the trade unions continue as free agents in a free society, or only half free.

Possible requirements of social capital -- and by the way, when you get to page 114 of the brief I would be much obliged if you would cross out a sentence and change one word which got in through a piece of stupid carelessness

on my part. In lines 4 and 5 there is a perfectly meaningless sentence which got in through a piece of copying which should not have been done. The sentence is:

"Each just carries on,
unchanged, provisions of the
present act."

Then if you get down to about the ninth line from the bottom, it says "this section on the statute books four years ago" and the four should be six. I am very sorry those errors crept in there, but they are not of catastrophic importance.

The growth of cities and the expected growth in the ratio of automobiles to population convinces us that the municipal, provincial and national governments will have to do some careful planning, and the senior governments will have to help the municipalities bear the burden of their traffic problem.

The amount of money needed for new schools and more teachers is so large that neither the municipalities nor the poorer provinces can raise it. National help is necessary, without, of course, any interference with provinces' exclusive control over education.

In housing, it now appears that we may eliminate the backlog in about a decade.

But there is still a need for cheaper owned homes, for subsidized low rental housing, and for repairs and the provision of ordinary amenities to the hundreds of thousands of houses which lack them. We make certain proposals on this subject, of which most, if not all, have been made before, to the government and at least one parliamentary committee, and therefore hardly require to be summarized here.

Transportation policy. On transportation policy, our main recommendation is that the dominion parliament should exercise its jurisdiction over international and inter-provincial highway traffic, and place such traffic under the Board of Transport Commissioners, so that rail and long distance road traffic should be placed on an equality, and each should do the job it can do most economically. The national government's present abdication of its constitutional responsibility for long-distance highway traffic is unfairly hampering the railways and contributing to the serious and recurring disputes between the railways and their employees.

When railway workers ask for better wages and conditions, the railways plead inability to pay, caused at least partly by highway competition, and the railway workers, having exhausted the conciliation process, declare

their intention of exercising their legal right to strike, what happens? The government says that "in the national interest" it cannot permit a strike. But when it comes to regulating trucks and buses, "the national interest" takes a back seat.

We have added a list of the recommendations on shipping which we placed before the royal commission on coastal trade.

Health insurance. We have devoted over 25 pages of our submission to health insurance. We have done so because we are convinced that good health and the availability of adequate health care facilities are of the greatest importance to productivity, and a large ingredient in the standard of living Canadians may expect to enjoy. We shall not attempt to summarize the evidence we have assembled on this subject. We shall content ourselves here with stating our conclusion and our recommendations.

Our conclusion is that only a national scheme of health insurance, administered by the state for the people, can effectively meet the need. We should prefer a scheme financed entirely by the dominion out of consolidated revenue and administered by the provinces. It would provide coverage for all Canadians simultaneously, and prevent provinces from hanging back on the plea of

poverty. If, however, as seems more probable, a national scheme here takes the form of national grants in aid to provincial schemes which meet certain standards, then we think the plan should make sure of the following:

(1) dominion grants large enough to bring in all the provinces;

(2) provision by the provinces to the dominion of prescribed statistical and other data on the operation of the scheme;

(3) a comprehensive range of services;

(4) a proper say for the patient and the layman in administration; in other words we are not in favour of medical syndicalism of health service plan doctors, so to speak;

(5) provision for increasing personnel, especially dentists.

If there are to be "stages", there should be time limits for each "stage".

We see no reason to believe that the cost of a comprehensive national scheme would be excessive. Present expenditures on health probably run to over \$900 million a year. Health insurance, in the main, would mean not so much new money as spreading the cost over the whole population, and more in accordance with ability to pay.

The healthier our people, the better our economic prospects. Health insurance

is the best way to get a healthy people.

Other social security measures.

Besides health insurance, we need income maintenance during illness and temporary disability. We need better old age security: the age should be lower and the benefit higher. We need a national industrial pension plan, which would make a notable contribution not only to workers' welfare but to labour mobility. We need better allowances for the blind and disabled, without means test. We need to restore the former purchasing power of family allowances, and to continue them as long as the child is in school or college. We need to extend the coverage of unemployment insurance, bring benefits up nearer earnings, and get rid of various narrow and discriminatory provisions. We need a comprehensive general assistance plan, with the dominion bearing much more of the financial burden than it is now willing to assume.

Conclusion. We have not tried to cover in our submission all the matters which might be deemed to come within your terms of reference, even all those which are of special interest to ourselves. On some of them affiliated unions have made representations, to which we feel sure you will accord the attention they merit. What we have tried to do is to place before you the views of the two Congresses on the matters which we believe are of

greatest importance to Canadian workers in general. We shall, of course, be glad to answer questions and to furnish any further information to the best of our ability. We think the national stocktaking you are engaged in can be of great value. The first of all royal commissions in British history produced the Domesday book. You may be producing a Domesday book, and something more, for Canada: not merely a record of what is, but a prevision of what can be, what may be, and perhaps of what should be. We hope we may have been able to make a modest contribution to your work.

THE CHAIRMAN: Thank you very much. We have asked Dr. Stewart if he would like to be the lead-off man.

MR. STEWART: I asked you earlier about the machinery and policies for a full employment programme, and I gather that you support the effort to achieve this by the use of the various devices which can be brought to bear in that connection?

MR. FORSEY: Yes.

MR. STEWART: I notice in your brief, in the section on seasonal unemployment, you do not have very much to offer there. Have you no proposals to make?

MR. FORSEY: The reason we did not put anything very much there is that this has been the subject of a very exhaustive study

by the economics and statistics branch of the Department of Labour under the auspices or the impetus of the national employment committee, of which Mr. Mosher is a member, and on which he can perhaps say something more. That committee produced a very complete report which suggested a large number of measures which could be taken.

I think in the main those are being taken by the dominion government as far as its own policies are concerned, and I think it is doing its best to urge them upon the provincial and municipal governments and upon private industry. Essentially it seems to me they are the sensible things to do; and about all we can say is, well, get on with it, and get on if anything even faster.

I do not think we have any especially original proposals to make on the subject, though I know Mr. Wismer has had some experience in connection with the construction industry in this regard. He is personally experienced in connection with a housing project here, and I think also Mr. Mosher may be in a position to add something. But I do not think we have anything at all novel or revolutionary to suggest on this subject ourselves. It is a very difficult problem, obviously, partly because of our climate and partly because of the seasonal fluctuations in

demand quite unrelated to the climate, but I think the existing study which has been made is a very good start, and if we just pursue it and get people into something along the lines suggested, we are doing about as much as can be expected.

MR. STEWART: Perhaps this is pure ignorance on my part, but I was a little surprised that you did not mention the guaranteed annual wage there.

MR. FORSEY: We mention it in another context, but it has several advantages to recommend it besides those specifically mentioned. That is probably just an oversight. Obviously we would say that has a contribution to make to the thing, quite definitely.

MR. STEWART: On page 37 of your brief, and also in the summary, you refer to the need of substantial taxing power on the part of the federal government in order to control the trade cycle. This to some people, I suspect, would sound a very novel sort of suggestion. First of all, do you think there is any danger in a high level of taxation?

MR. FORSEY: It depends on the economic circumstances at the time. I think if you got a great boom under way you might have to mop up a good deal of surplus purchasing power by heavier taxation. I thought that was common ground among most

economists now. I have been a trade union official for so long I get a little out of touch with economic thought, but as far as I can keep track of it that is true.

MR. STEWART: Does the converse hold true, that at other times you would reduce taxation?

MR. FORSEY: Yes; surplus and deficit financing. When you find a deficiency in demand, you cut taxes in order to stimulate it. When you find there is too much money chasing too few goods, you raise your taxes.

MR. STEWART: But it seemed rather interesting that you picked out this particular one, because earlier we have gone over the various policies which bear upon full employment, and this is presumably only one?

MR. FORSEY: Oh, yes, it is just one.

MR. STEWART: As a flexible device?

MR. FORSEY: Yes. I do not think we picked it out particularly. I thought we mentioned it, and you picked it out.

MR. STEWART: Well, it is picked out in these places.

MR. FORSEY: Yes.

MR. STEWART: I think it is generally conceived that investment has a considerable impact on total demand and on full employment.

MR. FORSEY: Yes.

MR. STEWART: I take it that as between public investment and private investment, your preference would be for public investment?

MR. FORSEY: Well, I do not think we have any doctrinaire views on that. I think what we want is to get an adequate amount of investment of keep things going, but if for any reason the investment is not adequate, we think it should be supplemented by public investment. There is, of course, the other consideration, that if the public investment takes the form of investment in publicly-owned corporations, crown corporations, that is perhaps a little bit more strictly under the control of the government itself and therefore responds a little more rapidly to the needs of the situation than private investment would. But I think our concern is to get the job done.

MR. STEWART: I think it is in your reference to immigration that you make certain assumptions with regard to the age of entrance into industry and the age of retirement. I would have thought you might have offered us some prediction as to what is likely to occur at both ends of the working force.

MR. FORSEY: I thought we did suggest something of the sort. I cannot say exactly where, but my recollection certainly is --

MR. STEWART: I may have missed it, but what number of hours of work per week do you estimate we may encounter in 1980?

MR. FORSEY: Personally I should not want to make any kind of guess on that at all. My own feeling is that perhaps too many people have been too positive on that score already.

I am not convinced myself, for example, that the development of automation in industry is necessarily going to require as much shortening in the work week as some people think. It may happen; there may be good reasons for it happening, but I think we may find a tremendous upsurge in demand which will mean the work week will not shorten as fast as some people suppose.

On the question you raise, first, the age of entry into and the age of retirement from industry, I thought we had suggested somewhere in this brief that we expected the age of entry would rise because of the necessity, with increasing mechanization, of giving people more education before they get into industry. And we thought the age of retirement might fall, partly because of the necessity of retiring earlier some people who just cannot be retrained for new jobs, and partly because that may be one relatively easy way of relieving any pressure on the

labour market that results from automation, for example, or other forms of increasing mechanization. If you find you have certain people available, if you pension some of them a little earlier that helps out for the time being.

MR. STEWART: You have three tables in your main submission, of which two I think are earnings per hour and per week, and the third is hours of labour per week. In my rather rapid study of that table of hours it seemed to indicate that in most industries in Canada, at least of those referred to there, we had a longer working week, and that that tended to increase in recent years. If that is a fair interpretation, what is the explanation of that?

MR. FORSEY: I do not think too much reliance should be placed upon those figures, because they were introduced for another purpose, and they are figures of actual hours worked including overtime rather than figures of standard hours per week.

The situation with respect to standard hours per week is that on the whole we have longer hours here than in the United States, because they have that legal 40 - hour week there, as I understand it, in industries entering into interstate commerce, but here we have not that. Roughly speaking we now have I

think about 60 per cent of the plant workers in manufacturing on a 40-hour week or less. The last figure issued by the Department of Labour show a bit below that, I think about 58 per cent; but that was some half a year ago back. I think 60 per cent is a safe estimate now.

On the railways you have a 40 hour week. In considerable parts of other non-manufacturing industry -- construction, for example -- you have generally a 40 hour week. But there are a considerable number of Canadian workers with a longer week than 40 hours, and I think the proportion would be higher here than in the United States. I should not think the gap would be widening, though; that would surprise me very much.

MR. STEWART: If we in this country pursue effectively, or endeavour to pursue effectively a policy of full employment, it seems to me that this has some considerable implications with regard to our external relations, and I just want to follow one or two points with you.

First of all with regard to immigration, your position as I understand it is that this should be flexible; that at certain times we may need more immigrants and at other times fewer immigrants, and that our policy should adapt itself to our domestic

requirements?

MR. FORSEY: Yes.

MR. STEWART: Supposing we are dealing with other countries that are also pursuing full employment policies. Does it necessarily follow that the timing of our desire to get more of their people will coincide with their desire to get rid of some of them?

What I am getting at is, if we pursue full employment policies, and other countries pursue full employment policies, then this kind of immigration policy may be inconsistent in that kind of world.

MR. FORSEY: That could happen. I think you would find -- perhaps I am taking too much responsibility upon myself here; my officers may tell me not to stick out my neck in this fashion, but I think after 13 $\frac{1}{2}$ years of experience in the labour movement I can say that if you encounter a situation where in our domestic interests it would seem we should not take more than a certain number of immigrants, and at the same time there seemed to be good international reasons for taking rather more, you would find the Canadian labour movement, on being consulted and given the facts, ready to take a reasonable position.

I do not think I can go beyond that, but I think I can go as far as that. I

do not think we are an unreasonable crew; no more so than anybody else, anyway.

MR. STEWART: But it does seem to follow that in a world in which countries are generally following domestic policies aimed at full employment, immigration is likely to be reduced.

MR. FORSEY: Yes; and I think this is precisely one of the uses to which this immigration advisory committee might be put. One of our complaints about the present policy is that you can have so much done without many of the people most directly concerned knowing much about it in time.

If I may give an illustration, the last time the Immigration Act was revised it was done at simply breakneck speed. We hardly knew there was a new act being put through until it was much too late for us to assemble any material on the subject at all.

We have complained vigorously about many of the provisions of that act since, and one of the things we have complained about is that we did not have a fair opportunity to set forth our views on the matter. We were not told what was coming, were not given a chance to say what we thought should be done, or to criticize.

When a revision of the Unemployment Insurance Act, for example, was under consideration,

we had ample opportunity to make our views known, but this other thing was carried through with great speed. I could supply the commission with figures and dates on this thing to show that I am not in any way exaggerating. This thing was carried through at a positively supersonic rate of speed, and the welfare agencies were also taken by surprise. So you had immigration policy, the whole act and its administration, being carried out, framed and carried out, without adequate consultation with many of the people most directly concerned in the thing.

The government has moved a little bit since that time. It has had regular conferences with us and with other people interested. But if you had a permanent advisory committee before which these things came regularly, then we think there would be room for discussion and reasonable compromise. We are going to have compromises on these things. We are not going to get everything our own way and we do not expect to. But we do think the democratic process of consultation and discussion should go on in the framing of immigration policy, as in other things.

MR. STEWART: In reply to my question that in a world in which countries are following full employment policies there is going to be less migration, your answer was yes?

MR. FORSEY: I am sorry; I did not catch the last part of your question. I thought you said there was going to be immigration. I am unfortunately getting rather deaf, and I missed that.

MR. STEWART: There is going to be less movement of people.

MR. JODOIN: Unless conditions in the country from which the workers would like to emigrate were worse than those in the country to which they wished to go. You and I realize that people migrate because they feel they may have a better living. I do not think they would want to go to countries where conditions were worse. So even if they had full employment you might still have a movement of workers, because you and I are still working to see that Canada remains the greatest country in the world.

MR. STEWART: But the implication is that we should have a persistent, stable immigration policy, and not one which we endeavour to adjust to our domestic requirements, because that is likely to be contrary to the policies of the other countries.

MR. FORSEY: I am trying to follow this. I do not understand why you thought there would be less immigration. The minute I heard that the same thing occurred to me that occurred to Mr. Jodoin. I think it

is a thing on which it would be difficult to generalize, but I would say that in the near future we are going to find it difficult to get immigrants from certain countries such as the British isles and Germany, where the demand for workers is pretty strong.

On the other hand I think we are probably going to have no difficulty in getting people from Italy, and of course if we were prepared to open our doors to the people from the underdeveloped countries we would have no difficulty getting them, for precisely the reason Mr. Jodoïn mentioned.

Other considerations come into the picture as well; matters of public interest and sociological factors, with which we are all more or less familiar. But I do not think you can make the general assumption that because the various countries are pursuing policies of full employment, you are necessarily going to get less migration. Part of the policy of full employment in certain countries presumably will be to get as many people out of the country as possible. I understand the Italian government would be pleased to have a lot of its people go to the United States or any other place.

MR. STEWART: In your references to trade, you are afraid of the effects of instability in the United States on our

economy.

MR. FORSEY: Yes.

MR. STEWART: The United States is or is not following a full employment policy?

MR. FORSEY: Oh, yes, it is, and I believe with reasonable success. However, I think they are a rather more volatile people than we are, and in that country there is a rather curious situation, under which sometimes it is difficult, even if you have a most wonderfully wise and benign administration, for it to get across to the legislature the course it wishes to follow. I do not think it is too serious a danger at the moment.

MR. STEWART: You are afraid that they may from time to time export unemployment to us?

MR. FORSEY: Yes, they may.

MR. STEWART: If we were following a full employment policy, would we tend to do the same thing?

MR. FORSEY: I suppose you could say so, but it is like the hand and the elbow; who is doing the shoving?

MR. STEWART: But my point again is that if all countries are following a full employment policy, then there are going to be certain limitations upon the short-run flow of trade. Is that right?

MR. FORSEY: I would not think so,

necessarily. It may be that there will be need for international co-ordination of employment policies, and I think there will be; but here you take in such a wide sweep of purpose that it is very difficult to be at all precise about it. I do not pretend to be an expert on international trade.

MR. STEWART: Later, I think on page 59, you go on to say:

"What we all want is the largest possible area of reasonable, unfettered international trade."

Is that really what we all want; and in the second place, is it consistent with full employment policies?

MR. FORSEY: To the second question I should say yes, it is consistent. As to the first question, as to whether that is really what we all want, I think it is what we all want generally, but of course there is always the tendency to say, "Well, yes, but not affecting my particular industry." I remember Stephen Leacock saying that everybody's theory of taxation is to tax somebody else. Plenty of people subscribe to the view that we want reasonably unfettered international trade, but of course "not in my particular industry, because there are special circumstances concerning it." Similarly there are plenty of people in

this country who will subscribe to the view that the Americans are a set of dunderheads for not wiping out their tariff, but who would also say, "Of course that does not apply here at all. We have to keep a very reasonable tariff, but we are wise to do what the Americans are doing" -- or very unwise.

MR. STEWART: Just one more question. At one point you refer to GATT, and your statement is to this effect, that if GATT serves the welfare of Canada, then we should persist with it, but that if it ceases to do so, we should get out. What is your position about GATT?

MR. FORSEY: I think we are in favour of staying in it. Our only point was that we did not want to see Canada undertaking commitments and then trying to wriggle out of our obligations under GATT. We say, let us be honest, and if we decide GATT is in the way of the welfare of Canada, let us get out of it and not try to squirm around and evade our obligations. But our position is that we support GATT.

MR. STEWART: You do feel, then, that general agreements in multilateral trading and reductions in tariff barriers are in the interests of Canada, even though it may hurt some industries?

MR. FORSEY: I think we do, yes.

We would add the rider that if it hurts some particular industries, again we do not believe the workers in those industries should be called upon to bear the cost of what is considered to be in the interests of the nation as a whole. Don't load all the costs on these people of the benefits to the rest of us.

MR. GUSHUE: I am particularly interested in the section of your brief dealing with labour-management relations.

MR. FORSEY: At this point I take a back seat, because we have here a series of people who have had much more intimate experience on that than I have ever had, people who have been in this sphere all their lives.

MR. GUSHUE: Then I direct my questions and let who will answer them. I know the general point that good union-management relations are essential, and I take it that means not merely during the course of negotiations but between negotiations and at all times. That would be a sine qua non, I take it.

Is that generally the case, then, in Canada; or is it generally the exception that good labour-management relations exist? Do they exist throughout industry?

MR. MACDONALD: I think it is

becoming more and more so every day. There is plenty of room for improvement, but I think it is taking place quite rapidly. There is a much greater general acceptance of labour as a part of society than has existed in the past; and conversely I think it must be stated that there is developing the maturity within labour itself which is concomitant with that, I think.

MR. GUSHUE: By that you mean that both labour and management recognize that they are necessary parts of one industry; that is coming to be the position?

MR. MACDONALD: There is a general recognition, I would say, coming about of the necessity of one to the other.

MR. GUSHUE: That is a desirable recognition?

MR. MACDONALD: Very definitely.

MR. GUSHUE: You refer to the necessity of bargaining in good faith as a self evident requirement. I think that is self evident. Then you refer to the necessity for informed bargaining, and you go to some lengths into the fact that the information necessary for intelligent negotiation is very often lacking, that it is not in the hands of the unions.

MR. MACDONALD: That is right.

MR. GUSHUE: Does that apply to all industry, or are there industries who do

provide that?

MR. MACDONALD: I think the point is made in this brief that the wholly owned subsidiaries of United States companies are not obliged to publish their financial reports, and I think it is obvious that this has the result that it is extremely difficult for unions in dealing with these employers to formulate realistic demands based upon the ability of that particular industry to pay. Actually if they cannot be realistic in their representations, I do not think that contributes to good labour-management relations.

MR. GUSHUE: Does it stop just there?

MR. MACDONALD: It certainly creates suspicion, for one thing; and very frequently, not in negotiations but more frequently in conciliation, things are revealed that could just as easily have been revealed at the outset, which would have prevented some of the friction and misunderstanding that eventually developed.

MR. GUSHUE: That would really be a manifestation of the good faith you mentioned in the beginning?

MR. MACDONALD: Exactly.

MR. GUSHUE: Do you find that there is improvement in the relations between labour and management in that connection, as

there has been in the general acceptance of the other; that is, in the provision of necessary information. Is that improving?

MR. MACDONALD: No. In so far as the general statement about the improvement of labour-management relations is concerned, I think there has been a very definite improvement even in that field.

MR. GUSHUE: In attitude?

MR. MACDONALD: Yes.

MR. GUSHUE: On the other hand, as far as any improvement in the matter of revealing or making available relevant information which is essential to proper collective bargaining, there is not any improvement?

MR. MACDONALD: There is not any improvement as far as I can see at the moment. There is a definite reluctance on the part of many managements to make available information which they consider to be private, and that they are not under specific obligation to reveal.

MR. GUSHUE: And you feel that in such case the unions are bargaining in the dark?

MR. MACDONALD: Exactly; and it leads to unfortunate situations.

MR. GUSHUE: Mistrust and so on?

MR. MACDONALD: Definitely.

MR. GUSHUE: I noticed the reference

to the delays in procedures, particularly in connection with conciliation even more than in connection with arbitration. I wonder if I might give you an example of a case of collective bargaining with which I have been associated for 9 or 10 years, where it seems to me this is rather neatly overcome.

I think you know something of the woods labour board in Newfoundland, which is a board that deals with all the relations -- wages, conditions of work and so on -- between the two paper companies and the four woods unions. I am explaining this a little so you will understand it thoroughly.

There are between 15,000 and 20,000 men involved. The four unions and the two companies always sit down together and do industry-wide bargaining; but the one feature which is perhaps a little different there than in many places is that they sit down with an independent chairman who is acceptable to both sides, who sits through the negotiations and therefore becomes quite familiar with all the points of view and all the facts which are laid on the table -- and I may say that all facts are -- so that if the parties come to a point of disagreement the chairman, who is warm and not cold as a conciliator would be, can act as a conciliator and often does.

Would you regard that as an

improvement? I do not suggest that it could be applied to all, large and small; but would you regard that as a useful improvement in the conduct of labour-management negotiations and conciliation?

MR. MACDONALD: I do not think it could be applied as a general rule. From what I have heard of the operation of the industry in Newfoundland apparently it has been quite successful; but very frankly I do not see how, in the majority of heavy industry, particularly, in Canada it would operate successfully.

MR. GUSHUE: What would you have against a procedure of that type?

MR. MACDONALD: Very frankly I presume one of the objections that would be raised by many of our unions would be that they might be saddled with a chairman who was not as competent or as acceptable, perhaps, as time went on, as the woods board chairman is in Newfoundland.

MR. GUSHUE: But nobody is saddled; they have to agree on a chairman.

MR. MACDONALD: But it is for a stipulated period of time, as I recollect.

MR. GUSHUE: That would not be necessary. I am just wondering if this could possibly avoid the delay of which you speak.

MR. MACDONALD: In other words, as I understand the question, it would become conciliation with one party rather than a board comprised of three, as it is at the moment.

MR. GUSHUE: But conciliation that would not have to be accepted by either side.

MR. MACDONALD: The present conciliation procedures are not binding upon either party. Labour's view, by and large, is that the present conciliation procedure should be made available to those unions that want to utilize it, but it should not be used as a stop plug. For example, where a union feels that no good purpose -- or either party feels that no good purpose -- is to be served by going through the formalities of a conciliation board, the union should be permitted to conduct a strike vote upon the termination of their collective agreement. I think that would be one of the biggest improvements.

MR. GUSHUE: They are not in a position to do that?

MR. MACDONALD: No, except in one province. The federal act, and the majority of the provincial acts, make it mandatory that the unions have to go through the entire conciliation process before they have the right

to utilize the strike vote.

MR. GUSHUE: What rather strikes me about the procedure I have put up to you is the fact that under the ordinary three steps of labour-management relations -- negotiation, conciliation and arbitration -- ordinarily the conciliators called in are called in when the parties have hardened their positions, when they have taken separate positions and hardened them. The conciliators come in cold, and their job is all the more difficult because of that. Similarly, if the conciliation fails, the arbitrators come in even colder, when the position is even harder.

MR. MACDONALD: Except that that is not always the case. As a matter of fact one of the major criticisms that has been directed at the present conciliation process by many of our unions is the fact that some parties at this time who are apparently, for reasons of their own, not prepared to accept the responsibility of reasonable collective bargaining in good faith, just do not harden their position. They merely go through the gestures of collective bargaining and then more or less throw the entire matter into the lap of a conciliation board. We think that tendency is becoming more and more evident as we see the development of a managerial class as distinct from an ownership class.

MR. JODOIN: I believe, Mr. Commissioner, that you are here suggesting a unique voluntary system as between two parties. You are not suggesting any kind of legislation of that sort. Your point, as brought out by Mr. MacDonald is strictly on a voluntary basis, not binding?

MR. GUSHUE: That is right.

MR. JODOIN: That has been applied in the ladies garment industry, for instance, one of the organizations which I used to represent. It can be done in certain instances, but in others it is not possible. That is why you have to leave it entirely on the voluntary basis, as suggested by Mr. MacDonald. I cannot see any other way. As a matter of fact you are just suggesting a settlement between unions and free enterprisers in this case, solely between themselves. That is the way we proceed everywhere. We try to negotiate directly with all our employers.

Generally when we go to the period of conciliation and arbitration it is because we initially could not come to an understanding with the employers themselves, and that is when we say these delays come in. So if you can convince the employers generally across Canada that they should negotiate directly and voluntarily, and especially in good faith, with their employees, there is no

question about it; but it is not done. It cannot be applicable in many other instances, I assure you.

MR. GUSHUE: You said this was done in the garment industry. Do you find it has been an advantage?

MR. JODOIN: It certainly has. For instance, 10,000 employees will be divided among some 350 shops. There is not a big centralization of employees such as you refer to. It does not mean there will not be differences of opinion sometimes, or that we do not give any discussion to the subject. But look at the record. There have been no strikes since 1940, for instance, because we came to that voluntary understanding. Where you have a conciliator, as you mention, who discusses the matter with the people concerned, it still relies on the fact that management and employees get together.

MR. FORSEY: I think Mr. Andrews has something to say on that question.

MR. ANDREWS: I was just going to say this, that in one of the Scandinavian countries they used that particular method of industry-wide bargaining among the larger industries, and there the problem is the kind of problem that I think was implied by Mr. MacDonald. Even there, with a much more mature collective bargaining history, they have

a real problem of getting experienced and able chairmen to sit through conciliation and through negotiations and be able to bring the parties together. They are so scarce that there is competition among the bargainers to get the services of these people.

MR. MACDONALD: Is it not a fact that the system was adopted from Scandinavia?

MR. GUSHUE: No, it just grew. It came out of war difficulties. A constitution was drawn up, which has been abandoned, and all the practices now are the result of experience.

MR. MACDONALD: That is the very point. I think in the situation there, from the cursory knowledge I have of it, there was a large element of good faith, mutual confidence and competence. With experience they found that perhaps the constitution was somewhat restrictive, or had a tendency to circumscribe them, with the result that the matter become one of the application of common sense.

MR. GUSHUE: That is right.

MR. MACDONALD: And good will.

MR. GUSHUE: The constitution is taboo.

MR. JODOIN: Were you the conciliator, may I ask? If you were I can understand why it has gone well.

MR. GUSHUE: Not originally; just for the last eight or nine years.

MR. GRAUER: I have just a few points relating to what has been said in reply to Dr. Stewart's questions about international trade and tariff policy, and the statement in the brief that the government should make up its mind one way or the other.

I understand from the answers that the position of your organizations is that you would personally prefer the country to stay in GATT, which means multilateral trade agreements if possible, and at any rate means a continuation of the policy which has been followed for the last several years.

Prior to that we were talking about unemployment, and I understood Mr. Jodoin to say that unemployment in Quebec, which had been referred to in the brief, was at least partly due to the competition from Hong Kong and other places in the footwear and textile industries.

Is your position that such results following the general trade policies that GATT is trying to bring about are all right, and simply that the government should then try to deal with the people who are thrown into unemployment in those industries?

MR. WISMER: No. I think the position is this, that we basically are for the greatest possible amount of trade, because that is what the economy lives on, by having to both export and import. I think we also

prefer to have that trade under GATT rather than either a high tariff policy or a free trade policy or any of those other things which have been tried in the past and never came out too well. But there are certain things which happened even under GATT which have to be looked at specifically.

I think this is the point: what is in the best interests of Canada? Is it in the best interests to let an industry die which cannot face competition from abroad? If so, what do you do with the workers?

That is the first thing. I think we have made our position clear on that. We want them retrained and reemployed; and if it is in the interests of the whole nation, the whole nation should make sure that no single group bears all the disadvantages.

But there are other considerations. I am only going to mention this one, because it is one that we have been living with and trying to deal with and are still trying to deal with. I use it as an example, and it is a very spectacular example. It has to do with the rubber footwear industry. This is a part of the whole rubber industry, but you cannot just take what is in the rubber footwear industry and move it over into the rest of the rubber industry. In other words it is special machinery, specially trained

people, and its only relation to the rubber industry is that it uses the same basic product.

This is the point I think we want to make. This industry is making a product which is necessary to Canada; in other words the climate of Canada requires rubber footwear. Perhaps some day someone will produce another product which is equally good, but certainly as yet no one has done so. We cannot take plastic rubber boots into the bush, even though the ladies may wear plastic boots on a rainy day. They do not work very well on a frosty day. So rubber is the essential product which we must have.

We do not want to speak always in terms of defending the country or of war, but I think we have to be reasonable people. We can certainly import from abroad all the rubber footwear we need, and certainly at lower prices than they can be produced for in Canada. A lot of it is coming in. But if we allow ourselves, with a climate such as Canada's, to be dependent upon the imports of a product of this sort, it seems to us that we have erred in judgment; that this is a case where you have to retain at least a part of the industry, if not all of it.

I am sure that in the minds of many people there will be this question: would

it not be possible to do that and make out such a case for almost every industry? I have not the answer for that, but I do say that when this specific industry does come up for consideration, these two ideas should be seriously canvassed: (a) would it be better to have the industry die and import from abroad and retrain the workers; or (b) should we retain at least part of this industry to protect ourselves against the day when we cannot import from abroad.

MR. GRAUER: Is it a fair implication from the forecast in the beginning of your brief about population and gross national product that you anticipate increasing industrialization through this 25 year period?

MR. WISMER: Well, I think what we have said, and Dr. Forsey can correct me if I am wrong, is that all the information we have access to has indicated not only a growing population but a growing industrial country, and we have rather tried to talk about the problems in relation to the forecasts of others.

MR. GRAUER: In replying to Dr. Gushue's first questions, did I get the right impression that your policy in collective bargaining was based primarily or largely upon ability to pay in a given industry? I do not want to get you saying something you do

not want to say, but it seems to me it gets down to this whole question of the difference in the rate of increasing productivity in various industries, which we know is quite substantial.

If that were your policy, then of course it would raise the question of the stresses and strains where you have trade union members in one industry where the rate of productivity is relatively low, with wage rates and working conditions presumably lower than those in another industry.

MR. WISMER: Well, I think I would be only fair with the commission and with all the people who are engaged from time to time in collective bargaining if I said there is not a simple answer to your question. There are many factors involved, but perhaps I could try to say what they are.

Put it this way. If the employer is unable to pay, collective bargaining is not likely to result in a raise in pay. In other words I think that is the prime thing. If we can be sure; if it can be ascertained that the employer simply has not the ability to raise the wage level, then collective bargaining of any sort is not going to succeed in raising it.

I have heard the suggestion that

unions have made exorbitant demands, and by one action or another have raised wages and as a result an industry has gone out of business. We have not yet found an actual case of that, where that was the reason a business failed.

So, if you like, the king pin in the question is the ability to pay; but if the employer is able to pay, then many other factors are involved; the question of local rates; the question of rates within the industry in other areas; the general economic condition of the country, and so on. These are all factors which will come in; and there is also the ability the union to enforce its economic demands.

MR. FORSEY: Am I right in believing that what you are thinking of there is the question of sharing in the proceeds of increased productivity, where the increased productivity is going to go? Are you suggesting that one particular union might try to hog the whole of the increased productivity, or a very large part of it, where productivity was increasing very quickly, and that this would lead to all sorts of dislocations?

MR. WISMER: I wanted to make sure that was not the implication. One of the answers made seemed to stress ability to pay, and I would be inclined to say that our

attitude is, first of all, that we want to see the results of increasing productivity spread as widely as possible. One way of doing that is obviously to either bring down prices in the industry where productivity is increasing, or to keep them from going up as fast as otherwise they would, where it may not be possible to bring them down. That is one part of the policy, I think.

Another is to say that in cases where that is not taking place -- and there are tendencies sometimes for it not to take place -- then we want to see that the people in the industry themselves get as much of it as they can.

That, of course, can raise difficulties about industries where the productivity is not increasing as quickly. Even if the unions in those industries are perfectly reasonable about it, there is in the long run a tendency for the supply of labour for those industries to dry up. I think that is something which will have to just adjust itself as time goes on. You might find certain high labour content industries who would find it difficult to meet the wage rates in highly mechanized, highly organized, low labour content industries, and by a process of trial and error, pulls and pushes, and possibly in some instances

temporary adjustments, it could be worked out. But I agree it is not a simple question to which you can give a simple solution.

MR. GRAUER: Just one final question. In your reference to industry-wide agreements, do you have in mind in those agreements the same wage rates and other items pretty well across the country? Is that your objective?

MR. WISMER: Yes. As a matter of fact, in industry-wide agreements you are talking to the same employer. If he can afford to pay a certain wage in one area, he can afford to pay it in another area.

MR. GRAUER: But even if you did not have the same employer?

MR. WISMER: That would be a desirable objective in that case.

THE CHAIRMAN: I would like to ask one or two questions on this subject. We have heard a great deal about the control of Canadian industries by non-residents of Canada, and the question of the international unions. Some people have suggested to us that there is nothing wrong in the non-resident control of Canadian industries, but that we should look pretty seriously at international unions. Others have suggested that the opposite is true, and some people have intimated to us that they think the two things go hand in

hand.

In the first place I think it would help us if we knew what your views are. Do you think the question of foreign control of Canadian companies should be considered at the same time and in the same connection as the question of international unions; or are the two things quite separate?

MR. JODOIN: First of all, there is no control of Canadian unions. That is what our brief has indicated to you. As you know, our Congresses have practiced the democratic way of life, and the Canadian members decide the actions of their local unions.

I cannot say the same for companies. Maybe a company has a board of directors, generally with some proxy votes, which meets once in a while, but they may have four or five persons who decide what the policy should be as far as that corporation is concerned. As far as the trade unions are concerned, there is no control. Canadian workers control their local unions, and they make the decisions in the usual democratic processes. That is where the difference rests.

MR. MOSHER: I think this should be said, that if it is quite proper for companies to have foreign control of their policies in Canada, it would be just as proper

for labour to have it. The fact that we do not have it does not say we could not have it, just as well as companies could have it, but we just do not have it.

THE CHAIRMAN: You do not mind my asking these questions, I hope?

MR. JODOIN: Not at all.

THE CHAIRMAN: I noticed, and we all noticed, that in your new constitution you have stressed the fact that the new Congress is autonomous, and I understand that has attracted a certain amount of attention, perhaps more so in the United States than it did here; I don't know. Is it reasonable to presume that for a period of years the Canadian directors of the various unions may head up the Canadian Congress, or will they normally continue to be associated with the international unions with which they are connected?

MR. MOSHER: In some instances there will be Canadian members who will go up the ladder and become international officers and go to the United States. There is no instance where United States workers would become officers of Canadian unions, because only the membership in Canada can vote on the officers in Canada. They are the people who decide who will be the officers of our Congress. Talking about the top organization now, the central body of a Congress, only Canadian

workers can vote in the Canadian Congress of Labour or in the Trades and Labour Congress of Canada, in determining its officers or what its policies shall be.

MR. FORSEY: I am not quite clear on what the chairman means by Canadian directors of international unions.

THE CHAIRMAN: If you take any union you like, I suppose the local unions head up --

MR. FORSEY: To the district president in Canada.

THE CHAIRMAN: Well, in the future will that district president in Canada, or whatever you call him, normally head up to your new congress, or will he head up to his international organization in the United States?

MR. FORSEY: I do not understand what you mean by "head up." He will be an officer of the international union.

MR. JODOIN: The autonomous affiliated organization.

MR. FORSEY: He will be an officer of the international union; I do not see what else he could be. The policy of the particular international union generally is determined by its members on both sides of the border, as I understand it; and the policy of the particular international union in Canada is determined by its Canadian members and is

conducted by its Canadian members. But he is an official of the international union.

The notion some people have that the congresses, or the new Congress, will be running the whole show is completely false. The member unions will be autonomous unions within the Congress. It is not going to be a case of Mr. Jodoin telling every trade unionist in Canada what he is going to do.

THE CHAIRMAN: No.

MR. JODOIN: We were practising democracy.

MR. LUSSIER: But in my mind -- I am a plain citizen without bias against anybody at all, and I have no employees -- just looking at the policy of the unions as a Canadian, when we speak of an international union I suspect that there is something perhaps different. Maybe you are autonomous and so on. You may be autonomous, but in the opinion of the independent public, are you satisfied that they think you are right, because they do not understand why you are international and at the same time national and autonomous.

This is my point. I do not mean to be against your policy, but I am just exposing the public opinion, and this might be against you sometimes. Moreover it may happen, perhaps it should happen sometimes, that the interests of the Canadian

branches of the international unions are not the same as the interests of the unions in the United States. Probably you have some way of saying, "Well, mind your own business and we will mind ours," but don't you think this might bring at least some psychological difficulties to you?

Suppose, for instance, that I belong to a professional organization in the United States. If I want to go along with them I have to comply with some of their wishes, the more so if the professional organization in the other country is much more powerful than the one we have in my own country. I would like your opinion about that.

MR. MACDONALD: As I gathered the latter part of the question it was to the effect that if there were a conflict of interest between the membership in the United States and the membership in Canada in an international union, what happens?

Well, obviously in all fields of human endeavour there are problems and difficulties, and we do not suggest for a moment that within our realm they are any less numerous than in others. I can think of many instances where there has been what might be regarded as a conflict of interest, if one wanted to use harsh terms, or where they did

not always see eye to eye on certain matters because on the one hand they were thinking in terms pertaining to the United States and on the other hand thinking in terms pertaining to Canada.

I cannot think of one instance, and my experience goes back for many years, where the Canadian membership did not in the final analysis have the right to exercise their own decisions in the matter. I can think of numerous instances where they did. Is that the point?

MR. LUSSIER: Yes.

MR. FORSEY: I think you have one example already before you. Unless I am much mistaken, you have heard of the Textile Workers of America. The textile union in Canada has been asking for protection against the textiles made by members of the union in the United States.

THE CHAIRMAN: That is why I started off by asking if the issues were the same when it came to unions and companies, because we were rather impressed with the fact that a number of company representatives appeared before us and asked for higher tariffs against their parent companies in the United States. We wondered how they would do when they went home.

MR. JODOIN: I know my own

International Ladies Garment Workers Union asked for that same kind of protection on the part of governmental authority, and I have not been suspended yet by the international union.

MR. MACDONALD: You see it quite frequently. As a matter of fact, within recent weeks our General Motors here were on strike. Certainly the General Motors people and membership in the United States were still producing, and did not even make an effort to impose their wishes on the people in Canada. In fact, to the contrary we saw the spectacle of the U.A.W. producing automobiles which were coming across the border.

MR. FORSEY: I think the thing has gone the other way. You have had strikes going on the United States, and stuff going out of here from enterprises operated by branches of the same union in Canada.

MR. WISMER: You will remember a certain union stopped all the shipping in New York and all United States coast ports, while members of the same union, affiliated with the Trades and Labour Congress of Canada, unloaded the vessels in Halifax and Saint John, saying, "We have an agreement with our employers and we will not break it."

MR. STEWART: How does the common

strike fund operate?

MR. WISMER: There is no common strike fund.

MR. MACDONALD: The individual unions in many instances have strike funds.

MR. STEWART: I thought in your reference to the General Motors situation there was an indication that out of your fee of \$2.50, or whatever it is, a portion of it went to the United States into a common strike fund.

MR. MACDONALD: That is one union.

MR. STEWART: That is what I am asking about; how does it work?

MR. MACDONALD: Actually the U.A.W. policy -- and I do not know if I should be attempting to enunciate it here -- is to build up a strike fund of \$25 million made up of contributions from the membership, to be used in strike situations. When it is depleted or partially depleted, the membership contributes again to build it up.

It is a common fund, as you suggest, for the international union both in the United States and Canada. In addition, of course, I can say that our union membership in Canada, even having the fund, helps in a situation of that kind, as they did in the recent General Motors strike, by voluntary contributions.

THE CHAIRMAN: Well, gentlemen,

I think we might bring this part of the discussion to a close. It is getting close to lunch time. We have had a very interesting morning, and we are most grateful to all of you who have taken part in this submission for the very great deal of work and thought that has gone into it. Thank you very much.

At 1 p.m. the commission adjourned.

At 2:30 p.m. the commission resumed.

THE CHAIRMAN: I guess if we are all here we might as well get started. Mr. Lush, are you going to present the submission, which will be marked Exhibit 215?

MR. LUSH: Mr. Chairman and gentlemen, the Canadian Manufacturers' Association is most appreciative of this opportunity to present to the royal commission on Canada's economic prospects its views on matters which are of the utmost importance to the manufacturing industry of Canada and on the latter's role in the Canadian economy, both now and in the future, together with recommendations for dealing with the problems involved.

The association is a non-profit, non-political organization of manufacturers in every line of industry from Newfoundland to British Columbia, who are joined together to consider and take action on their common problems. The association has 6,500 members who produce about 75 per cent of Canada's total manufacturing output and are located in over 600 cities, towns and villages from the Atlantic to the Pacific. An interesting feature is that 80 per cent of the association's member firms employ less

than 100 persons.

As the royal commission is conducting its own surveys of a number of manufacturing industries and as many manufacturers, singly or in groups, have presented briefs to the commission on their own particular problems, the association is confining its representations in the main to the broad sweep of the Canadian manufacturing industry, its prospects in the next 25 years and its recommendations to ensure the best atmosphere in which manufacturing will continue to expand, with the accompanying benefits of ever more diversified employment and higher living standards.

Since the association's views and recommendations are set forth in detail in our representations which have been in your hands, sir, for some time, I am confining my present remarks to the association's general views on our country's development. I would then like to introduce the other members of our delegation who will comment briefly on the various sections of our submission, namely population and employment, the home market, international trade, taxation, profits and transportation.

As a general observation, the association is desirous of emphasizing that

the over-all economic growth of Canada has taken place with relatively minor government intervention and in an atmosphere of private enterprise. It has been a spontaneous and not a planned development, the sum total of the successful endeavours of a great number of companies and individuals in all sectors of the economy; that is, the fruits of individual incentive and enterprise. This, we submit, is the atmosphere in which Canada should continue to expand.

While the association's submission deals primarily with the manufacturing industry, the importance of the primary industries and the development of natural resources as a generating force in the whole economy is fully appreciated. Incidentally, having noted that the term "primary industry" seems to have been used with various shades of meaning in different briefs presented to the commission, I should like to say that in our brief the term "primary industry" is confined to the industries listed thereunder, namely agriculture, forestry, fisheries, trapping, mining and electric power, as itemized under the heading "Primary Production" in the annual "Survey of Production" issued by the dominion bureau of statistics. The term "manufacturing industry" as used in our brief includes all industries listed by the dominion bureau of statistics in

their annual reports on "Manufacturing Industries of Canada".

The development of natural resources involves the rolling back of the physical as well as the technological frontier. This has resulted in a large and continuing demand for capital equipment, for transportation and power facilities. It has encouraged the development of manufacturing industries, especially those making capital goods. It has attracted some immigration and, through the widening economic opportunities it has opened up, it has played its share in providing a favourable environment for rapid population growth.

Despite its appreciation of the place of primary industries, the association is strongly opposed to the suggestion which your commission has heard, that the role of "a hewer of wood and a drawer of water" is in Canada's best interests. On the contrary, the association is firmly of the opinion that the manufacturing industry is today the linch-pin of Canada's economy and that its importance will increase as the years go on. This is not an opinion only, but is borne out by official statistics of production and employment.

The view held in many quarters that Canada has become a manufacturing nation of importance only in the past few years is not

correct. Even prior to the first world war the manufacturing industry was a major segment of the Canadian economy. That war promoted the diversification of products and the production in Canada of many articles previously imported.

This trend continued through the 1920's, and even the depressed 1930's, and by 1937, according to a League of Nations report, Canada was the eighth ranking manufacturing country in the world.

The further expansion and diversification during and since the second world war are fresh in the minds of all Canadians. According to United Nations statistics, Canada is now the seventh greatest manufacturing country in the world.

To illustrate this growth, dominion bureau of statistics annual reports on the manufacturing industries of Canada show that from 1900 to 1954, employees increased from 339,000 to 1,268,000; wages and salaries paid from \$113,000,000 to \$3,881,000,000; and gross value of production from \$481,000,000 to \$17,498,000,000. If 1955 figures were available, they would be considerably higher than those of 1954.

Another current misconception held in certain quarters is that Canada is still primarily a producer of raw materials and

foodstuffs. Canada is more than anything a manufacturing nation, notwithstanding the importance of the primary industry.

In 1953, the latest year for which official statistics are available, manufacturing contributed 55 per cent of Canada's net value of production or almost double that of all primary industries combined.

But perhaps above all else manufacturing in Canada, as in other industrialized countries, provides more jobs than does any other segment of the economy. At the same time, it is interesting to note that the proportion of working Canadians employed in primary industries has steadily decreased as the following figures show:

	Percentage of distribution of the labour force	
	<u>1901</u>	<u>1955</u>
	per cent	per cent
Agriculture	40.2	15.8
All primary industry (including agriculture)	44.2	20.4
Manufacturing	15.9	25.1
Trade, transportation, construction, finance, etc.	39.9	54.5

As shown above, increased employment in manufacturing leads also to increased employment in trade, transportation,

construction, finance and the various services and professions. This has happened throughout the world as country after country has been industrialized.

Slowly but surely the home market has become of greater and greater importance in the Canadian economy as a whole. Exports of goods and services accounted for 30 per cent of the gross national product in the years 1926 to 1928, but for only 22 per cent in the years 1952 to 1954.

Lack of sufficient population remains a basic, or perhaps the basic, weakness in the Canadian economy. However, since the end of world war II there has been considerable improvement in this direction. A moderately liberal immigration policy has brought 1,200,000 newcomers to Canada in the past decade; emigration apparently has been less than half the intake, although there are no official figures on this. This, plus a high birth rate and low death rate, has boosted our population by about 4 million since 1945.

The continuing growth of the population accompanied by increasing purchasing power per capita is the greatest stimulant to our economy as a whole and to industrialization in particular as it ensures, among other things, expansion of existing industries and the creation of completely new ones.

Despite our present strong position, there remains a serious obstacle to greater population, employment and expansion. In 1953 we imported more foreign fully manufactured goods than any other country in the world, not just on a per capita basis, but in actual volume, while in 1954 we imported but slightly less than the United States. Conversely, the great bulk of our exports are foodstuffs, raw materials, semi-processed materials and articles requiring only a few manufacturing steps. Such exports do not contain a high labour content.

This situation poses the question -- and a very vital question, too -- whether Canada has gone too far in tariff reduction. Can this country develop an increasingly strong and independent economy of its own without adequate tariffs for Canadian manufacturing industries? Does an economy which produces foodstuffs, raw materials and semi-processed materials for others and whose prosperity, consequently, is largely decided by policy decisions elsewhere, especially in the United States and the United Kingdom, satisfy the national aspirations of Canadians?

There is no doubt that the underlying trend in Canada is decidedly upward, and the association firmly believes that Canada possesses the two basic factors for a

vast and continuous development. These are, first, an industrious, robust, self-reliant people who believe in individual freedom and the stability of sound government; second, an unsurpassed combination of natural resources and energy potentials.

If our economy is to be increasingly prosperous it must be progressive. Progress inevitably involves changes and this means that our economic and fiscal policies must at all times be sufficiently flexible to allow for changes that take or should take place.

I would like now to call upon other members of our delegation. I understand that possibly these gentlemen are well known to you, but for those who may not know them I would like to introduce them.

Mr. Ian F. McRae, vice president, Canadian General Electric Company, Limited, Toronto and chairman of the association's industrial relations committee, who will speak to the section on population and employment.

Mr. Hugh Crombie, vice president and treasurer, Dominion Engineering Company, Limited, Montreal, a past president of the association, who will speak to the sections dealing with the home market and international trade.

Mr. K. LeM. Carter, partner, McDonald, Currie & Co., Toronto, director,

Ontario Steel Products Company Limited, Gananoque, and chairman of the association's legislation committee, who will speak to the sections dealing with taxation and profits.

Mr. W.J. McCallum, general traffic manager, Dominion Glass Company, Limited, Montreal, and chairman of the association's transportation committee, who will speak to the section dealing with transportation.

If it meets with your pleasure, Mr. Chairman, I should like to suggest that any questions arising out of the subject matters to which my colleagues will individually speak might be put to them as each finishes his particular assignment.

MR. MCRAE: The association estimates that the population of Canada in 1980 will be from 26 to 28 millions and that the labour force will be from 9 to 10 millions. It believes that the most important single task of the government and people of Canada will be to make as adequate provision as possible for the economic and steady employment of this labour force. The marked trend of the last 25 years has been for the percentage of employment in the primary industries to decrease and the percentage in manufacturing to increase. There is every reason to believe that this trend will continue and that the manufacturing industry

will have to provide a large share of the employment for an increased population.

The natural resources and the industrial and commercial structure of Canada are capable of supporting a much larger population, and the effective development of this will depend in large measure on increasing the population at a faster rate than is possible through natural increase alone. An additional 10, or even 5 million people would mean a most welcome decrease in the national overhead per capita and would give industry pro tanto the advantage that comes from mass production and specialization. Further, with a larger domestic market, farmers and other producers as well as manufacturers, would be less dependent on foreign markets and the country's economy as a whole would gain greatly in stability.

It is estimated that the country will require at least $2\frac{1}{2}$ per cent annual increase in population. As the natural increase in recent years has averaged only 1.9 per cent, it would appear that, having regard to the loss of emigration, something over 1 per cent or, say, 175,000 should be brought in from abroad each year.

As to the kind of immigrants that are most desirable, it is clear that an increasing proportion should be suitable for employment in industry and it is further clear

that a high percentage should be skilled workers or capable of becoming skilled workers.

As regards the outlook as to the flow of immigration in the next 25 years, it appears that as a result of the rehabilitation and marked prosperity of western Europe and the lessening fear of another war, the heavy migratory movement of the last 10 years is now subsiding. This means that unless active steps are taken to attract the kind of immigrants we want, we are unlikely to receive anything like as substantial a number as the 1,200,000 who have come to Canada during the last 10 years.

Under employment, employment in manufacturing relative to employment in other industries has been increasing markedly in the last 25 years, while employment in what has been the other chief industry, namely agriculture, has declined even more markedly. At the present time 25 per cent of the working force is employed in manufacturing as against 16 per cent in agriculture.

As regards the general employment outlook, it may well be that the problem of the next 25 years will not be a shortage of jobs but a shortage of labour, even though there is certain to be a marked increase in mechanization and automation. While automation may cause some labour displacement in the first instance, experience shows that over the years the effect

will be not to reduce employment but to increase it. Further, the development of automation will act as a prod to our whole economy, first by expanding the capital goods industry; second, by enabling labour to increase its earning power; and third, by reducing over-all cost of production which makes possible reduced prices to the consumer and thereby expands the market.

The extension of automation will give rise to a greatly increased demand for technically trained personnel as well as a plentiful supply of skilled persons to build and maintain the new machines. This means that there will be a growing need for a well-developed programme of university, technical and apprenticeship training. To this end there is urgent need for greatly increased co-operation between industry and the school and university authorities.

As to seasonal employment, one facet of the employment situation which must not be overlooked is the seasonal employment which, because of our climate, is almost inevitable in Canada. So far as the manufacturing industry is concerned, substantial progress has been made in eliminating seasonal unemployment, notably in the automobile, meat-packing, and food-processing industries, and most important of

all, the construction industry has made great strides in the direction of extending its operations in the winter months.

It is now recognized also that governments -- federal, provincial and municipal -- can make a notable contribution by timing their purchases and the execution of building projects so as to provide a maximum of employment in the winter months. Considerable progress has been made, but the association urges that the possibility of further progress should be thoroughly explored.

Unemployment insurance. The existing system of unemployment insurance is an accepted part of the social framework within which industry operates. The 15 years' experience we have had of the working of the system has demonstrated the soundness of its two leading principles, namely that it should be contributory and that benefits should not be so high as to impair the incentive to find work. The present scale of benefits roughly on the basis of 50 per cent of earnings appears to be sound having regard to the amount of earnings allowed from supplementary employment.

The question of the proper level of unemployment insurance benefit is, however, one which should be the subject of continuing study in the light of changing conditions, and such study should take into

account benefits under private maintenance of income schemes such as so-called guaranteed annual wage plans, as well as supplementary earnings. In other words, benefits received from whatever source should not be so great as to affect adversely the desire to find work.

A further point is that with a rapidly expanding economy in a country of the size of Canada, it is important that there should be a reasonably high degree of mobility of labour and unduly high out of work benefits would clearly militate against this.

Under wages, it is a commonplace that there is an inescapable relationship between wages, prices and productivity. Thus, as the president of the Canadian Congress of Labour pointed out on a recent occasion, there is no sense in trade unions demanding higher wages without a corresponding increase in productivity. Productivity depends on a combination of capital investment in plant, machinery and equipment, management and the effort of the whole body of workers. Productivity will increase with greater mechanization and better management provided that the general body of workers continue to make their proper contribution.

Greater productivity in addition to being a prerequisite to higher wages and profits, is also the prerequisite

to job security, particularly in a country like Canada which must find foreign markets for so large a percentage of its production. Greater productivity will mean prosperity and economic security for both employee and employer, lower prices for consumers and better dividends for shareholders.

It follows from this that it is unsound and unrealistic for trade unions to demand that wage rates in Canada should be on a parity with wage rates paid in the United States. If Canadian employers were compelled to pay wages equal to United States wages without productivity comparable to that of the United States, the inevitable effect would be to raise general prices, with the result that there would be no increase in real wages and therefore no benefit to Canadian employees.

Under unions and collective bargaining; collective bargaining in good faith between employers and the duly chosen representatives of their employees has been accepted as an integral part of our industrial system. Unions have become institutions with great power, and influence, and as will all institutional bodies, they have interests and aspirations which do not necessarily parallel those of the rank and file of their members.

Unions by virtue of their exclusive status as bargaining agents and their

immunity, for all practical purposes, from damage actions, are in a position to exercise monopolistic power in many industries and such power is not always used wisely and with restraint. Examples are improper use of the strike weapon, failure to comply with the conciliation procedure provided for in labour relations legislation, and flagrant violation of the law against mass picketing. If unions accept the benefits and protection of labour legislation, they should be prepared to accept the legal obligations imposed by such legislation.

Fortunately, there are many union leaders who are conscious of their responsibility and alive to the effects of their policies upon the public interest. One outstanding leader recently declared:

"We must conduct ourselves in a way that shows we are an integral part of the community. We must take more and more responsibility for the welfare of the country as a whole. We must not think of ourselves as a class apart."

The forthcoming merger of Canada's two largest labour congresses provides a great opportunity for the realization of this obviously

sound and sensible objective.

The attention of the commission is respectfully drawn to a statement on the rights and responsibilities of employers and employees which is attached as an appendix to our written submission.

Under education; the association has, for over half a century, had a lively interest in technical and vocational training and classical and scientific education at both the secondary school and university levels.

The association is concerned with education now more than ever, particularly in the light of the more advanced and highly technical production methods in manufacturing. This refers to the whole range of personnel required for the future of industry in Canada, and embraces not only highly skilled and unskilled workers, technicians and clerical workers, but also future executives, scientists and engineers. It is feared that, unless training keeps pace with technological developments, the future of Canada as a great industrial nation, which now seems assured, may well be jeopardized.

No departure should, however, be made from the basic principles of education which give men balance, understanding, perspective and an ability both to reason and communicate. In other words, care should be taken that applied sciences at any level are not emphasized

at the sacrifice of the arts and letters. History has adequately demonstrated that development in the humanities must coincide with and sustain scientific and material advances if these latter are to have any true value.

MR. CROMBIE: Speaking in regard to the home market, we believe that the greatest single factor contributing to the sustained growth and prosperity of the Canadian economy in recent years has been the rapid expansion of the Canadian market. Canada's external trade, although it has increased in physical volume and still accounts for a large proportion of our economic activity, has been gradually declining over the past 25 years in its relation to our total national output. Although we have by no means approached the end of frontier development characterized by the extraction and removal of our natural resources in the cheapest convenient form to external markets, it is the development of our manufacturing industries devoted in the main to supplying the home market which offers the best economic prospects for the most Canadians.

The level of private and public investment in Canada in the years since the second world war has averaged between one-fifth and one-quarter of the gross national product. This fact gives a vivid illustration of the pace

of Canada's post-war growth, and marks a record which has not been surpassed by any other nation in history. During this period Canada's manufacturing industries spent well in excess of \$6 billion for new buildings, machinery and equipment, spread over a widely diversified product range.

Geographically, the evidence suggests that existing industrial concentrations are more than maintaining their proportion of the nation's manufacturing facilities. At the same time, new outgrowths of secondary industry may be expected around centres of major resource developments and it is hoped that this trend will contribute significantly to the geographical broadening of Canada's industrial base.

Foreign capital has played a highly significant part in Canada's industrial growth, arising from the reinvestment of the earnings of enterprises owned or controlled by non-residents as well as from the actual inflow of new capital. The association believes in the avoidance of measures which would tend to restrict this inflow, not only because of the new physical assets which it builds, but also because of the new resources of technical skills and experience which it frequently brings.

At the same time, it is important that government policies maintain a

climate which is at least as favourable for Canadians as for foreigners to invest in Canada's industrial future, and a climate which will encourage the formation of capital in Canada for industrial expansion and development.

Much has been said recently of the potential dangers in having a high percentage of foreign ownership and control in Canadian industry. The association hopes for a greater degree of "naturalization" of foreign-owned companies, providing, without legislative compulsion, for increased participation of Canadian capital and management, greater use of Canadian materials, research, access to export markets, and the fullest practical degree of processing of the product in Canada.

Hydroelectric power has had a profound effect upon Canada's development, and with 75 per cent of power potential still undeveloped, promises to continue its important influence. Further improvements in transmission and the prospect of power plants operated by nuclear fuel should lead to further decentralization of industry and the establishment of manufacturing enterprises in many parts of the country where lack of power has, up to the present, retarded industrialization.

The association is widely supported in its belief that it is in the national

interest for purchasers at every level, both private and public, to specify "made in Canada" products in preference to imported ones whenever it is practical to do so. This principal is particularly significant in the case of government purchasing wherein it should have wholehearted application. Since Canadian manufacturers, their employees, and their suppliers are substantial taxpayers, a proportion of all government expenditure within Canada returns to the public purse by way of direct and indirect taxes. Consequently, we submit that a price differential of 10 per cent to 20 per cent in favour of Canadian goods versus imported ones would not be unrealistic in determining the effective application of the "made in Canada" principle.

In planning and contracting for the requirements of Canada's defence establishment there are even more pressing reasons why government purchasing policies should constantly aim at the greatest possible degree of self-sufficiency. Defence equipment and stores in all categories should be standardized wherever practical on Canadian-produced items in order to avoid the risk of an interruption of supply from outside sources should an emergency arise. Long-range defence development projects should be expanded through the resources of private industry, and should not be confined

to the engineering and production facilities under the control of the Department of National Defence in order that an effective working partnership may be maintained between industry and the defence services.

Industrial research is an essential element of sound industrial progress and, in the highly competitive conditions of today's economy, it is not sufficient merely to have access to some of the fruits of research and engineering developments in other countries. The limitations of the Canadian market are such, however, that few but the largest corporations can support costly facilities for independent research. The association has, over a period of many years, fostered recognition of this problem, and encouraged the growth of facilities for conducting fundamental research in government institutions as exemplified by the National Research Council and the Ontario Research Foundation, and in the universities. It is to be hoped that the direction of research activities in these facilities will maintain effective contact with the industries through which the benefits of their efforts may be best applied for the good of all Canadians.

Significant recent additions to government and private research facilities are indicative of an important trend towards

greater self-sufficiency in the fields of creative engineering, and scientific and industrial research, which will broaden the range of Canadian products and improve their competitive position in Canadian and foreign markets. The association regards this matter as of such vital importance as to warrant stimulation by government financial measures, perhaps through increasing deductible allowance permitted under the Income Tax Act in respect to research expenditures.

The development of improved design of Canadian products is a matter of similar importance in meeting intensified competition from the United States and abroad. In many cases Canadian manufacturers cannot, with their lower production runs, match the pace of American retooling and are faced with an annual problem of obsolescence which only original and advanced design can withstand. The trend toward evolution of distinctive Canadian designs in industrial products is thought to be worthy of stimulation in the same way as industrial research.

I should like to say a word about one of the major obstacles in the way of voluntary collaboration between manufacturers to achieve ends which experience has shown to be in the interests both of themselves and of the economy.

The free enterprise system may be endangered by undue industry control as well as by the undue governmental control and therefore anti-combines legislation is necessary. The present legislation as interpreted by the courts, however, has resulted in a number of leading Canadian industries, which have made notable contributions to the growth and prosperity of our economy, being attacked in a restrictive trade practices commission report, or haled into court, and sometimes convicted, not on the basis of the actual effect on the economy of the alleged combine but on the basis of a particular doctrinaire concept of what constitutes free enterprise.

If the present interpretation of the existing law is adhered to, it will discourage many kinds of voluntary collaboration within industry and commerce which experience has shown to be of benefit to the whole economy.

With a view to keeping the door open to voluntary collaboration within industry while providing safeguards against detriment to the public, the association proposes that the restrictive trade practices commission should be reorganized to include nominees of the Department of Trade and Commerce as the department best qualified to pass judgment on the effect on the economy of alleged combines, together with outside economists, accountants and

others with wide business knowledge and experience.

May I crave the indulgence of the committee; I have a slight cold, and I would like Mr. Carter to carry on with the section on taxation, and I will then carry on with international trade.

MR. CARTER: The association recognized that, for the next 25 years, very substantial revenues will continue to be required to provide the necessary public services and to maintain the large-scale national defence programme which is necessitated by the existing international situation. In framing the taxation designed to raise the revenue required, it is submitted that careful consideration should be given to the effect of taxation policy on the maintenance of a high and steady level of employment, the progressive expansion and improvement of productive resources and the need to guard against inflation.

In the light of these considerations, the association is bound to express concern with respect to the present tax situation. The present system of corporate and individual income taxes and sales tax, in the association's view, distributes the burden fairly equitably and provides the revenue required for national purposes with a reasonable degree of efficiency.

The present rates of tax, however, are, it is submitted, open to criticism. The present top corporation tax rate of 45 per cent plus 2 per cent old age security tax on all profits in excess of \$20,000, appears unduly high for the good of the economy generally. It leaves a corporation with only 53 per cent of profits, at least half of which is usually required for keeping machinery, plant, and equipment up to date, and for further development.

With taxes at their present level, only about 25 per cent of the profits before taxes, is paid to shareholders. This makes it more difficult to interest the owners of capital in investment in Canadian industry. The present high rate of tax also encourages borrowing for purposes of expansion rather than securing the necessary capital by sale of stock. In the association's view, if the present tax rates are continued, they will impede the development of manufacturing in this country.

As regards the individual income tax rate, the association's view is that the increase in the rates during the last 15 years has worked a real hardship on many taxpayers, particularly those in the middle income tax brackets, and has tended to slow down initiative.

The association has recommended to the federal government that the present 15 per cent and 10 per cent special excise taxes

on commodities listed in schedule I to the Excise Tax Act be abolished as soon as revenue conditions permit. The selection of certain specified commodities for such special taxes is, in our view, both unsound and discriminatory. We submit that there should be no place in Canada's permanent tax structure for such special taxes on any commodities. With the elimination of these special taxes the burden of taxation would be more fairly and equitably divided amongst all segments of the Canadian population.

While the association would naturally like to see the present sales tax rate of 10 per cent reduced, it supports the principle of levying a sales tax on commodities as a method of obtaining needed government revenue. As production increases in Canada, however, it should be possible to lower the sales tax rate below 10 per cent and still secure the revenues required from this source of taxation.

If the national income continues to increase as it has in recent years, the association believes that there should be sufficient leeway for tax abatement. Additional leeway for tax abatement might be provided, given the strictest economy in defence expenditures and in expenditures generally. As to this, the association wishes to point out that the government expenditures, federal,

provincial and municipal, in relation to gross national product, are now at their highest point, except for the period of the war and the year immediately following, having risen from 14.2 per cent in 1926 to 27.4 per cent last year.

In connection with the possibility of increased economy in government expenditure, the association submits that there is need for a thorough investigation, either by a royal commission or by an independent agency, of the present organization and methods of administration of the various departments of government, including the question of co-ordination with the various departments of the provincial governments. The association calls attention to the fact that the Hoover Commission set up in 1947 in the United States was able to recommend ways and means of effecting economies in governmental expenditures which resulted in significant reductions.

Profits. The continuously developing manufacturing sector of the economy required a tremendous increase in capital investment in plant, machinery and equipment. According to one authority, the book value per worker of plant and equipment in industry in 1900 was about \$600. By 1950 the figure had risen to about \$5,500 and, in terms of replacement costs, to over \$9,000. It may be

assumed that this upward trend will continue.

Investors will only supply the capital required if they expect a fair return on their money and this can only come out of what is left of profits after payment of all the costs such as wages, materials and power, taxes, wear and tear and obsolescence of machinery and equipment, and interest to the bank and to bondholders.

While we have no figures on the return on capital invested in manufacturing, we have made annual surveys of the amount of profits on net sales. These show that in the years 1951 to 1954 inclusive, the percentage of profits on the manufacturers' sales covered by the surveys ranged from 5.8 in 1951 to 5.2 in 1954.

There is no need to labour the point that profits are essential to the carrying on of the free enterprise system. It is, however, desirable to point out that any substantial reduction of such modest profits as those mentioned would have a damaging effect on industry because it would tend to dry up the sources of the new capital which is continually required for the modernization and expansion of existing industry and the development of new industry.

MR. CROMBIE: I now come to that part of the association's brief which deals with international trade. The policies

of the Canadian government on international trade have always been of major concern to the Canadian manufacturing industry and they are therefore under continuous review and study by the association. Since 1952 Canada's total foreign trade has averaged over \$8 billion each year. In 1954 Canada ranked fourth among the nations of the world in total value of trade, being exceeded only by the United States, the United Kingdom and the Federal Republic of Germany.

The association has on many occasions endorsed the action of the Canadian government in furthering the expansion of international trade by giving effective support to international organizations and institutions which are attempting to solve the problems of world trade and finance. The general agreement on tariffs and trade, an international organization which is still provisional in nature, has played an important part in serving as an intergovernmental forum for the discussion and solution of international trade problems as well as sponsoring multilateral tariff negotiations. The GATT undoubtedly constitutes the most practical international machinery that has yet been developed for the formulation of fair trading rules and practices and for the negotiation of difficulties when they arise.

While the association has endorsed Canada's adherence to the letter and spirit of the basic principles of international trade embodied in GATT, it begins to be clear that this position may become untenable if the other major trading countries, including the United States, continue to refuse to do so. Many of these countries, in addition to tariffs, employ import prohibitions and quantitative restrictions which effectively impede the export of Canadian agricultural and industrial products. These restrictions are often made effective through the imposition of import quotas, or under a system of import licensing which can be very discriminatory in its application. So far there has been little indication of the abandonment of these restrictions.

In the light of these prevailing conditions, the association is of the opinion that the Canadian government should carefully reassess its trade and tariff policy.

The pattern of Canada's trade is strikingly different from that of the world as a whole. Since 1952 the general commodity position of world trade has remained remarkably consistent, manufactures representing about 47 per cent and primary products 53 per cent of world exports.

I would like to direct your

attention for a few moments to the tables which you will find on page 15 of our brief. The most striking fact which emerges from these tables is the entirely different composition of the foreign trade of Canada and of the United States. Whereas 70 per cent of United States exports are fully finished manufactured goods, less than 40 per cent of Canada's are. On the other hand, while less than one-third of the imports into the United States are fully finished manufactured goods, over three-quarters of ours are.

As stated earlier in this presentation, Canada imports per capita more fully manufactured goods than any other country in the world and, with the possible exception of the United States, in actual volume as well.

Whatever the reasons may be for these present large imports of fully finished manufactured goods, there seems little doubt but that Canada's reductions in customs duty rates made under GATT have had their effect. This policy of encouraging imports of manufactured goods has caused serious disturbances to many of our secondary industries which are primarily dependent upon the domestic market for their continued existence and prosperity.

The association believes that a

sound tariff policy for Canada is of vital importance to the prosperity and welfare of every Canadian citizen. In order to create a well-balanced and prosperous economy, it is essential that a tariff policy be maintained which provides for adequate customs tariff rates and duty valuations designed to encourage and develop both our primary and industrial production and to expand our domestic market. The object of Canada's tariff policy should be to provide the most profitable employment for the largest number of its citizens. It should not unduly favour the primary and extractive industries at the expense of the secondary industries.

The primary industries have been favoured by reason of the so-called "end use" items in the customs tariff which enable them to import machinery and equipment either free or at lower rates of duty than those applying to machinery and equipment generally. I suggest that the primary industries should realize the advantages to the Canadian economy and to themselves of strong and secure secondary industries. I am not suggesting that the concessions already given to the primary industries be withdrawn, merely that no further concessions be granted.

The association has given a great deal of study and consideration to the

question of what Canada's tariff policy should be, not only for the present but also in the foreseeable future. At the last annual meeting of the association held in Montreal in May, 1955, the membership approved the issuance of a "Statement of Tariff Policy for Canada", which is attached as appendix II to our submission. The association firmly believes that the tariff policy enunciated in this statement is in the national interest.

The association's tariff policy is predicated on the conviction that what Canada needs more than anything else is a substantial increase in population, thus ensuring a greatly expanded domestic market. Recognizing the paramount importance of providing profitable employment to support a rapid growth of population enjoying a standard of living comparable to the United States and appreciably higher than in any other country, it is essential that secondary industries should have tangible encouragement to expand existing operations and develop into new fields. In this regard, tariffs can contribute materially by providing reasonable opportunity for an efficient manufacturer to obtain a sufficient share of the Canadian market to support economic operations.

I might point out that primary industries while producers of wealth, do not provide much in the way of employment. It is the

secondary industries that must provide most of the employment for an increased population.

But tariff rates are only part of the story. Many items in the customs tariff provide for the entry of goods into Canada either free of duty or at low rates of duty if they are held to be of a "class or kind not made in Canada." The absence of a clear definition of the meaning of "class or kind" frequently renders the administration of such items very difficult.

The effectiveness of existing tariff rates can be, and frequently is, nullified by the results and implications of rulings of the Department of National Revenue and of declarations of the tariff board. Goods have been ruled or declared to be of a class or kind not made in Canada when facilities exist for their manufacture in Canada and when similar goods have been made in Canada. This is a most effective way of reducing tariff rates.

While it is still too early to assess the value of ~~the~~ changes which were made in the Customs Act last June, we can only hope that the customs administration will now be able to determine more adequate valuations for duty purposes on those fully finished manufactures which have been coming into Canada in increasing volume at very low prices.

Unfortunately it is still possible

to import goods into Canada below their actual cost of production, and the association firmly believes that this situation is not fair to Canadian industry nor in the national interest. The association has urged the Canadian government on many occasions to put back into the Customs Act the former provision which established a minimum valuation for duty purposes of imported goods of not less than the actual "cost of production plus a reasonable advance for selling cost and profit".

Since the special or dumping duty provisions of the Customs Tariff, section 6, only become operative when the selling price of goods to an importer is less than the value for duty determined in accordance with the provisions of the Customs Act, you will appreciate the importance which we place on having such a provision in the act.

While placing such special emphasis on the importance of a greatly expanded domestic market, the association has prepared its representations with due regard for the place of exports in our economy.

Throughout its 84 year history, the Canadian Manufacturers' Association has treated the promotion of Canada's export trade as one of its prime functions. Its constitution specifically refers to the interests of Canadian exporters and the

association provides an extensive range of services to its hundreds of members engaged in export business. It has been recognized that, as far as some of our industries are concerned, the advantages of large-scale production can only be gained through access to markets beyond Canada's borders. Indeed, without these markets such industries could not operate economically.

The problem of remaining competitive in foreign markets is one which warrants careful and continuous study, particularly in the face of various forms of government assistance and subsidy which a number of foreign countries are providing for their export industries. As a case in point, our representations have drawn attention to the lack of adequate facilities in Canada for the financing of export sales.

As the association believes exports will continue to grow but will probably take a progressively smaller percentage of total output, continuing the present trend, as mentioned earlier in this presentation. Also, as the domestic market expands it will become more and more attractive to locate large scale processing facilities in Canada close to the sources of raw materials which Canada produces. Canada's resources are not inexhaustible and in order to make the most of

them, there is a pressing need for our domestic and foreign trade policies to be positively directed toward a greater degree of processing in the goods we export.

Canada has more than a passing interest in the economic expansion of under-developed areas of the world. By raising the standard of living of the peoples in these retarded countries, Canada is making a sound investment in the future. It is important, therefore, that Canada contribute technical assistance and engineering skills, and provide as much equipment and supplies as possible to the development projects sponsored by the United Nations, the world bank and the Colombo plan.

In concluding this part of our presentation, Mr. Chairman, I would like to stress that history has shown that no country has been able to create a well balanced and prosperous economy without establishing and maintaining a tariff policy designed to develop and maintain its agricultural and industrial production, as well as to protect the people and capital engaged in various forms of enterprise. We are firmly convinced that no people will ever achieve and sustain such a position without a policy of adequate tariff protection. However attractive the principles of free trade amongst all nations may appear, it is an impractical policy for any one nation

to follow under the conditions prevailing throughout the trading world today.

MR. MCCALLUM: Part VI of our presentation relates to transportation matters. In a submission to your commission, it is deemed unnecessary to make more than a passing reference to the importance of transportation in sustaining our economic vitality. It would appear sufficient to point out that Canada's geographic characteristics emphasize the need of our system of transportation being highly efficient. In attaining this, there are a number of considerations which we take this opportunity of bringing before you. Among other measures, it is submitted:

Railways should be encouraged to refrain from wasteful competition and to continuously co-operate in bringing about joint measures and undertakings that will effect economies in accordance with the letter and spirit of the Canadian National - Canadian Pacific Act.

There should be a minimum of restriction on the pricing structure of our carriers consistent with the prevention of unjust discrimination or unreasonable charges.

Public authorities should be encouraged to encompass in their long-range

plans provision for the co-ordination of carrier services, including projects for joint terminals in harbour areas and metropolitan communities. Without such forward planning the eventual cost may be excessive.

Carriers, as a matter of public policy, should assume some obligation to enter into agreements for the joint carriage of goods from the consignor to consignee to relieve the shipper of the necessity of making separate contracts with several carriers to effect delivery. When such arrangements for joint carriage cannot be effected, the railways should be encouraged to extend their service, particularly by truck, to provide one carriage contract to destination.

Pursuing this thought further, we submit it would serve the public interest if all transportation agencies, subject to proper safeguards protecting the rights of other carriers, were permitted to enter other related fields of transportation to enable them to continue to be of service in a changing environment.

It is anticipated that the St. Lawrence waterway will be of increasing national importance. Preoccupation with the construction of the international section of this development, however, should not divert our attention from the

future adequacy of the Welland ship canal, which present estimates indicate may become the bottleneck of the seaway.

The exposure of the Canadian market to foreign competition, particularly from the United States, makes it desirable that regulatory legislation should not discourage carriers from publishing freight rates to assist domestic producers to overcome the geographic handicaps.

The anticipated extension of our extractive industries northwards, while our secondary industries may be reasonably expected to remain closer to the main centres of population, may make it necessary to encourage the carriers to extend processing in transit arrangements to enable the fullest advantage to be taken of our materials and markets.

The growth of the number of motor vehicles incident to an expanding economy creates an ever increasing demand for more and better roads. The early completion of the trans-Canada highway is regarded as imperative. However, we desire to point out that such physical facilities are in themselves insufficient to promote the development of interprovincial motor vehicle services adequate to meet the demands of commerce. Complementary steps to institute uniformity of regulatory

control and efficiency in its application are required.

At present, differences in licensing authority, allowable roads and equipment requirements, as well as differences in intergovernmental policies make inter-provincial operations difficult. A broad authority with respect to such movements rests in the federal government but it has been delegated to the provinces by the Motor Vehicle Transport Act. Present experience indicates that this may not be to the future advantage of the shipping public and that either centrally imposed authority or inter-provincial co-operation will shortly become a necessity.

Unnecessary restrictions on the development of any form of transportation which would prevent it being used to the public's optimum advantage should be avoided, and similarly, no one form of transport should be restricted in favour of another unless clearly in the national interest. Likewise, it is regarded as important that all carriers pay their fair share of any public facilities which they use. One of the fundamental economic advantages of many carriers is their ability to make joint use of such facilities as waterways, piers, airports and roads, along with other public or private transportation

units, and unduly restrictive practices would be detrimental to the best possible use of facilities which we will have to provide to some extent in any case.

It would appear that should our development in the next 25 years be of a magnitude that even the most conservative foresee, the present transport monopoly by Trans-Canada Air Lines should be eventually extinguished and the public afforded the benefit of competition in domestic air transport services.

MR. LUSH: Now, Mr. Chairman, in accordance with your expressed wish previously, we shall be glad to do our best to answer any questions which you yourself or the members of the commission might pose to us.

THE CHAIRMAN: Thank you. On page 28 of the summary you make some remarks about non-resident control of Canadian industry. In your main brief certain objectives or advantages are set forth. You say you hope these things will happen.

I recognize that the association includes in its membership many firms that are subsidiaries of foreign companies, and it may be difficult for you to express a policy on which everybody would agree on this point; but it seemed to me that just leaving it in the

realm of hope was pretty hopeful, to put it mildly. Is that as far as you feel you should go?

MR. CROMBIE: Yes, I think I have to agree with you that we cannot go much beyond a pious hope. Yet there are implications there. In another part of our brief we speak of a made in Canada policy. Certainly it is my own experience that where a company is controlled, shall we say, in the United States, and where the operating management has been sent up here from the United States, they simply follow the line of least resistance. If they are in the market for capital equipment, they know of a source of supply in the United States, and without perhaps taking the trouble to find out whether similar or suitable equipment is obtainable in Canada, they order from the United States. That is perhaps natural.

THE CHAIRMAN: It is natural that you do not like it?

MR. LUSH: Equally so.

THE CHAIRMAN: I will not press the point. You are less definite on this question than some other people who have appeared before us.

Mr. Carter, it is very nice for us to welcome you here; this cross-fertilization of ideas between commissions may be a good thing;

I don't know. We had one of your colleagues before us recently and it is very nice to have you.

I would like to ask you a question about your remarks on the subject of taxes. You suggest that the corporation income tax is too high, and that people do not like paying the present rates of personal income tax, about which I do not think you will find much argument. You suggest that the excise taxes are unsound, and you make some remarks about the sales tax.

We are not very much interested in that, because we know it is going to be fixed by parliament; but your conclusion is that all these things can be dealt with by the government cutting expenses. As everybody knows, as far as the Federal government is concerned -- and those were the taxes you were dealing with -- if you take out of the calculation the defence expenditures, the expenditures on social security and debt service, you are left with a sizeable amount but not enough to make any appreciable cuts in all the main sources of taxation.

What would you do about it? You say we should cut taxes, but how are you going to finance if you do?

MR. CARTER: I think it has been evident in the last few years that the

increasing gross national product has been such as to provide by itself considerable tax relief. The increase in national income generally pays off with a larger increase in tax revenues. I do not see that we have said that in the summary, but I think probably it should have been said. Certainly I think following through the other thoughts in the brief as to increasing population and increasing productivity, we should see increasing national income too; but it was certainly our view that that was not good enough, that there was room for diminished government expenditure.

This follows a submission we made to the Minister of Finance just one year ago now, suggesting that the government should take stock of its expenditures and put together some kind of machinery to have regard to such reduction. I think my answer to you must be that this must be our thought and our hope, that the national income will increase.

THE CHAIRMAN: The reason I mention it is that there is no disagreement anywhere. We would all like to see decreased rates of taxation; but we have gone across the country listening to various people's views as to what should be done, and if you take into account the expenditures that apparently are going to be necessary, at the municipal level particularly, it is difficult

to see how the taxes in total can be reduced very materially, and I just wondered if you had some ideas about how this was to be accomplished.

MR. CARTER: I think it is only fair to say that when the Hoover commission started work in the United States, I do not suppose anybody there had much idea as to what savings might result. They have recommended literally billions of dollars of savings in the United States, and 10 per cent or 25 per cent of that has been implemented now. No doubt that has contributed materially to the balancing of the budget this year in the United States.

I see no reason to believe that our own circumstances might be altogether different. It is true that it is often pointed out that the great proportion of our expenditure is in the nature of fixed charges. You have to admit that, particularly with regard to interest; but many fixed charges are not as rigid as the term implies, as you know very well. There may be plenty of room for tremendous savings in government expenditures.

MR. STEWART: All the evidence we have had, practically, and a great deal of what we have just heard, indicates a very substantial period of expansion over the

last few years. There is increased employment, increased population, and increase in the gross national product, an increase in the proportion of manufacturing industries, a transfer of population out of agriculture and out of primary industry into secondary industries, and so on.

This would suggest that in general industry has been operating within what seems to have been, using the term that we hear so often, a favourable climate. Does there seem to be any reason to change any of the elements of climate, under those conditions?

MR. CROMBIE: May I answer that. I think fundamentally our views are based on this, that we must have more population; that it is only the secondary industries that can provide that; that things have not been too bad, but that if secondary industry in Canada is to expand, we must have a favourable climate.

MR. STEWART: A greater increase in population than we have been experiencing?

MR. CROMBIE: Yes.

MR. STEWART: At a more rapid rate?

MR. CROMBIE: Well, what has been the figure; 175,000 a year?

MR. CARTER: I think we said it

was desirable to have an increase of $2\frac{1}{2}$ per cent.

MR. STEWART: That is in addition to what we have been having?

MR. CROMBIE: To change the subject and deal with taxation, we are not complaining particularly about the existing ad valorem tariff rates; it is the administration of "class and kind" which has very effectively reduced the effectiveness of what apparently were the tariff rates.

MR. STEWART: How do you explain the phenomenon that the rate of taxation has been so high in a period in which there has been such remarkable development?

MR. CROMBIE: I did not get your question.

MR. STEWART: I gather that you would like to see taxes reduced and, as the chairman says, I think perhaps that is the view of a majority of us. But is there any explanation for the phenomenon that we have had perhaps the period of most rapid economic expansion in a period in which taxes have been highest?

THE CHAIRMAN: Dr. Stewart's suggestion is that if the taxes were made higher, we would be even more prosperous.

MR. STEWART: No, but I would like it if somebody could give the answer to

this.

MR. CARTER: Might it not be that during that time, or part of that time, taxes were on the decrease, and for the other part of that time it looked as though they might be coming down, that there was sufficient hope of reduced taxation to cause people to invest?

MR. STEWART: Are you suggesting that the expectation of $\$7\frac{1}{4}$ billion of investment next year is all because of an expectation of a decline in taxes?

MR. CARTER: If the expectation were an increase in taxes, I would suggest it might not be as much as $\$7\frac{1}{4}$ billion.

MR. STEWART: I should think that was likely true.

MR. GUSHUE: In your appendix there is a statement of tariff policy for Canada, and you make the recommendation that imports should not exceed exports, and that the tariff should be designed to bring this about. During the last 10 years the accusation has been, of course, that imports have exceeded exports, but have they not been largely in capital goods which have brought about the expansion of primary industry in Canada, without which it could not have taken place?

MR. CROMBIE: That is my point again, that last year our adverse balance of trade with the United States was \$850 million. The largest single item was machinery and equipment, which in my opinion should have been made in Canada. They make it too easy to permit machinery and equipment to come into Canada from the United States.

MR. GUSHUE: Do you think Canada would have had this growth in the last 10 years without this import of capital goods?

MR. CROMBIE: No; not without some of it, of course. But more of it could and should have been made in Canada. We did not have to go to the United States for it all.

MR. GUSHUE: In the past 10 years Canada has had an unparalleled period of prosperity with this very adverse balance, and your suggestion is that that is not a good thing to continue, that the balance should be brought into adjustment by government intervention?

MR. CROMBIE: I think we should continue to encourage the development of our primary industry.

MR. GUSHUE: But not by the importation of capital equipment from some other

country or countries?

MR. CROMBIE: Not while some of it could and should have been made in Canada.

MR. GUSHUE: Why has it not been made in Canada?

MR. CROMBIE: Mostly it is the same factories which have been dumping and taking advantage of the "class and kind", and again by remission of duties by order in council.

MR. GUSHUE: You would run the risk, would you not, of holding up the industrial development of the country by a policy of that kind?

MR. CROMBIE: Oh, no, I would not think so.

MR. GUSHUE: Just one other point. We have had evidence today from two bodies, both interested in both sides of industry, labour and management, and it is rather interesting to see the quite divergent viewpoints.

This morning the labour unions were rather inclined -- while they base, as you do, their whole thesis on the fact that collective bargaining is here to stay and there must be good faith between the parties -- to say there was not as much good faith on the part of employers as they would like; not as much disclosure of

information, and a tendency to delay and so on. In your presentation -- I am looking at your original presentation, not at the summary -- a number of points are made as to how labour possibly misuses or abuses its power in collective bargaining.

Apart from the times when labour and management get together in individual negotiations, is it the practice for national organizations on the part of labour and on the part of management to get together, such as your association and the Trades and Labour Congress, and so on? Has that ever been the practice, to discuss principles of the sort which have come before us today?

MR. MCRAE: By an organization like the Canadian Manufacturers' Association?

MR. GUSHUE: Yes.

MR. MCRAE: To the best of my knowledge, and I stand to be corrected, the Canadian Manufacturers' Association has never entered into any negotiations at any time on any problem in relation to the individual negotiations. Any cases I have been connected with have not been referred or appealed to the C.M.A. to help or assist in any way.

MR. GUSHUE: Do you think it might clear up some of these points which are too big for individual negotiators?

MR. MCRAE: I do not think the

Canadian Manufacturers' Association is a body capable of entering into negotiations when it refers to individual companies.

MR. GUSHUE: Are there any company or management associations big enough to do that? Can you think of any?

MR. MCRAE: There are a number of industrial relations institutes in Canada where the matter of collective bargaining is discussed; but these institutes do not carry on individual negotiations, unless at the request of individual members; and they represent the member companies in the association.

MR. GUSHUE: Would they go to the national labour organizations with these points?

MR. MCRAE: I did not catch the comment about the national labour organizations.

MR. GUSHUE: I was just wondering before whom they would present their case.

MR. MCRAE: In an individual collective bargaining case, company A may ask the assistance of individual negotiators from these institutes to present its case, if it goes to conciliation.

MR. GUSHUE: That is a rather more limited application than I had in mind. I was wondering if there was any broader relation between labour and management than that in Canada.

MR. WHITELOW: I take it that you are referring to the national field as distinct from the provincial?

MR. GUSHUE: Yes; I think that is a good way of putting it; not restricting it to merely individual negotiations on individual rates of pay and so on.

MR. MCRAE: Would you mean like the Canadian Manufacturers' Association sitting down with the Trades and Labour Congress and discussing general problems?

MR. GUSHUE: I am just wondering on the points which you make here, which are broad points and cannot be discussed between one small union and one company, whether or not they could be discussed to advantage on the broader basis.

MR. MCRAE: There you would get close to industry or community-wide bargaining, would you not?

MR. GUSHUE: Not necessarily. This is broader than just bargaining. You have made certain points of principle which affect your members in their bargaining, but which no individual member could cure. At pages 6 and 7 of your original submission there are several points.

MR. WHITELOW: May I intervene again. I take it you are referring once more to principles which need not be negotiated at

the bargaining table, but rather an informal or a formal exchange of views?

MR. GUSHUE: A broader exchange of views than you would get across the bargaining table.

MR. WHITELOW: That has not been done. We have had a number of informal exchanges of views with our friends in labour, but not in any formal fashion such as you have mentioned.

MR. GUSHUE: A point strongly made by the labour representatives this morning was the question of the lack of exchange of information to both sides in negotiations. They spoke of the necessity for good relations between labour and management. They said these were improving, as a matter of fact, I think quite rapidly throughout Canada. They spoke, as you have here, of the same trend in collective bargaining in good faith; but they did make quite strongly the point that the unions were rather bereft of information, and that this placed them in an unfair position when they sat down at the bargaining table. To put it simply, or perhaps to the point of absurdity, the companies knew all about the union but the union did not know all about the companies, and they thought it would be a good thing for both sides if they did.

MR. MCRAE: I can make the very opposite statement, and this comes from experience in sitting around the bargaining table for a good many years. We usually find that the unions are out in full force, with information that the companies do not have. They come in with reams of it, and we come in with pages of it from the management side.

There is an area, of course, of information which the unions would like to get into. That is, they would like to take a look at the books. That is a well known expression, and that is something that has been resisted for a number of years. As far as the ordinary goings on within the company are concerned, there is a tremendous amount of information provided to the unions, much more than some of us feel is necessary for proper collective bargaining. In most of the large national companies dealing with the large labour unions, they have a tremendous amount of information at their beck and call, and can sometimes provide information that management does not have.

MR. GUSHUE: You think the point may have been overstressed?

MR. MCRAE: Very definitely overstressed.

MR. LUSH: Mr. Chairman, might I express an opinion in respect to the commissioner's question with regard to the prosperity of Canada since the end of world war II, that possibly the backlog of business which was built up during those war years may have played a very important part in the prosperity of the past 10 years; and we may be concerned, having now lost the benefit of that, as to just what the future 20 years may hold for us. Possibly that is back of some of our material.

MR. STEWART: I do not want to debate this point with you at all, but when the last war concluded, along with a lot of other people -- and I would suspect most of the members of your organization -- we anticipated a post-war depression on the basis of well-established previous experience. We escaped that. How do you explain that?

MR. LUSH: Well, there is a feeling in some circles that we may have run into something of a mild nature if we had not had the Korean war. That could have prevented a reaction or recession that might have been fairly serious; but we have enjoyed good business, definitely, in the past 10 years. We are hopeful that it will continue, but we are a little concerned about it.

MR. STEWART: The only point I

had in mind is that it does seem to me that we have managed things reasonably well during this period and provided the kind of climate which has made it possible to do a great many things. Therefore it seems to me that perhaps we should take a good look at any substantial change, having that in mind.

THE CHAIRMAN: Well, thank you very much, Mr. Lush and gentlemen, for this presentation and for the helpful way you have dealt with the questions which we put to you.

MR. LUSH: Mr. Chairman and members of the commission, I would like to express my appreciation and the appreciation of my colleagues for the courtesy of the commission in hearing our brief. It remains but to add that should there be any further information you may require with regard to the submission we made this afternoon or our original brief, we shall be only too happy to provide it to you.

THE CHAIRMAN: Thank you very much.

---Recess.

---After recess.

THE CHAIRMAN: We might come to order, gentlemen. Mr. Hughes, we will mark your submission exhibit 216, and I think perhaps if you would care to do so you might introduce your supporters and associates before we start.

MR. HUGHES: Thank you, sir. Gentlemen, I would like to introduce, starting at this table on my immediate left, Mr. N.H. Gunn, who is vice president and director of Bell, Gawinlock and Company, of Toronto. He is also vice president of our association and chairman of the Ontario district. On his left is Mr. Stanley Nixon, vice president and director of Dominion Securities Limited. On his left is Mr. D.B. Shaw, vice president of our association, of A.E. Ames and Company. At the end of that table is Mr. Harry Gassard, director of education of the Investment Dealers Association.

On my right is Mr. Peter Kilburn, of Greenshields and Company, past president of the association. On his right is Mr. Clark Kinnear, of W.C. Pitfield and Company, who is Quebec chairman of the association, and on his right is Mr. David Stanley of Wood, Gundy & Company, Toronto. I may say that Mr. Stanley had a great deal to do with the writing of our submission.

Mr. Gordon and gentlemen, it is my privilege and pleasure as president of the Investment Dealers Association to place before you on behalf of our members from all parts of Canada a submission which we hope may be of assistance in your study of Canada's economic prospects. Copies of our submission have been sent to you in advance, and I propose only to table it at this time and to say a few words about it.

Members of our association have been the medium through which the savings of the Canadian people have been gathered and converted into the capital which has contributed so greatly to the economic development of Canada. Concrete evidence of the results of this are before the eyes of everyone from the Atlantic to the Pacific.

Over the years this business has become more and more complex, so that no one man can now claim to be an expert in every phase of it. It is for that reason that I have asked these gentlemen to come here with me, in the hope that we may be able to contribute to a discussion of any subject upon which you may consider the views of the members of our association to be of some value to you.

I would like to say here that the views which they may express will be their own individual viewpoints, and it is quite

possible that they may not all be in full agreement. I should like to say also that Mr. Nixon and Mr. Shaw received invitations to appear before you as individuals; and as I also had asked them to accompany me to appear with me on behalf of the association, they were kind enough with your permission to appear here now, and I am very grateful to them both.

Our members share the view so often expressed that Canada will experience a steady and substantial growth in population and in gross national product, and will require capital investment of a magnitude surpassing anything experienced to date. Our industry is basically concerned in this development with the mobilization and effective use of savings, both corporate and personal. Certainly if Canadians are to take part effectively and profitably it is of paramount importance that encouragement be given to the accumulation of savings, and that these savings have favourable opportunity to participate in the growth and prosperity of our country.

It is our view that high levels of personal income and succession duty taxes do not encourage the extra effort necessary to accumulate and retain savings. Like other Canadians, we are concerned with the increasing percentage of Canadian national income which is being absorbed by taxation. If incentives

to save and invest can be strengthened, we believe the necessary capital can be substantially raised in Canada, and that the machinery for carrying this out will continue, as at present, to be adequate and sufficient.

We have attempted in our submission to deal with factors we considered favourable and those we considered unfavourable to providing the capital to the Canadian sources which will be required. While I do not intend to repeat all these now, I do wish to lay emphasis on the following.

First, the Investment Dealers Association of Canada has long felt that it was essential that the Canadian public be further encouraged to become active, discriminating and traditional buyers of corporation common shares. Certain steps taken by the government of Canada and by the provincial governments have contributed greatly to promoting wider share ownership. The trend toward removal of some of the inequities of double taxation by providing a tax credit of 20 per cent on dividends received from taxable Canadian corporations has been most effective. This should be continued and if possible increased.

In addition, the absence of a capital gains tax in Canada has been of major importance in encouraging share ownership, and building a supply of Canadian risk capital.

Sound and fairly enforced provincial securities legislation has also been helpful, particularly in maintaining public confidence in equity investments designed to attract risk capital.

There is still room for further active measures designed to promote even broader participation by the Canadian public in equity ownership of Canadian corporations. Increased ownership of equity securities would, in our opinion, result from a clarification of existing tax laws to relieve bona fide investors of fears that increased value resulting from capital growth may be subject to tax.

Second, the Canadian economy is characterized not only by a relatively limited ownership of common shares but by a restricted available supply. This limited supply is in part attributable to tax provisions discouraging equity financing by Canadian corporations and encouraging foreign corporations to employ fully-owned rather than partially owned subsidiaries in Canada. To an important extent it also reflects the continuing purchases of Canadian common shares by foreign holders, and particularly by foreign institutional investors, who remove substantial blocks of shares from the market on a more or less semi-permanent basis. Whole industries in Canada, including many of the high investment quality, are now entirely owned by

foreigners who are able to take out of Canada all the profits earned at preferred tax rates.

We suggest that serious study should be given as to whether a continuation of the policy whereby wholly owned subsidiaries of United States companies are taxed in Canada at a tax lower than other non-resident companies or individuals is in Canada's best interests.

Third, we believe that Canadians should be given at least equal tax advantage as compared with Americans in respect to expenditures in exploration for oil and minerals in Canada. The provisions of our taxation laws place Canadian individuals and companies at a marked competitive disadvantage as compared to individuals and companies in the United States.

Among these provisions may be noted the inability of Canadians to deduct from taxable income the cost of drilling oil wells or exploring for minerals, regardless of the source of the income. In the United States more liberal taxation provisions make available a flow of so-called tax money whose real cost to those who provide it may be as little as 10 cents in the dollar. Much of this money comes in Canada, where Canadians are unable to compete against it with tax-paid dollars in meeting the cost of drilling wells or exploration for minerals.

Fourth, over the past decade municipal governments in Canada have spent large sums on the construction of social capital assets. The trend of expenditure continues upward and will undoubtedly be large for many years to come.

It is evident that Canadian municipalities are faced with the necessity of making large continuing large outlays for schools, hospitals, public buildings, roads, streets, sewers and the like. Municipal revenue sources tend to be inflexible. Efforts to develop sources other than the real property tax have been successful only in a few areas.

Over the past decade the assessed value for taxation has increased, due mainly to the large volume of new construction and partly to the upward revision in valuation of older properties. However, the yield from property taxes has not kept pace with the increased demand for municipal services.

We believe there will continue to be a ready market in Canada each year for a substantial volume of debenture issues of Canadian municipal and school bodies. However, investor acceptance of credit-worthy Canadian municipal obligations will, in our view, be encouraged by action along the lines suggested in detail on pages 25 and 26 of our brief, which I shall not read, but hope you will examine.

Our industry is proud of the part it has played in Canada's development up to the present time, and we are confident of our ability to play an important part and an efficient part in future growth; and we are keenly aware of our responsibilities.

We appreciate this opportunity of appearing before you, and I hope there will be time for useful discussion with the members whom I have introduced and who are prepared to discuss any points which you would like to bring up.

I would like to refer to the letter we received from Mr. LePan, which included a number of questions of possible importance. Included in this list were those which were originally submitted to Mr. Nixon and Mr. Shaw, and I would like it if they had ample opportunity to place before you the views which they would have expressed had they appeared as individuals. After that we are all at your disposal.

THE CHAIRMAN: Thank you very much, Mr. Hughes.

MR. GUSHUE: On page 13 of your brief you say:

"It is felt that if the
legal restrictions on
institutional and trustee

investment were relaxed to encourage the purchase of corporate equities, the result would be materially to improve Canadian equity participation in the Canadian economy."

I think also on page 24 you bring in a recommendation. Would you like to elaborate on that statement and your recommendation?

MR. HUGHES: Yes; and some others might like to speak on that, too.

I think it is worthy of note that the percentage of equity investments by insurance companies in Canada is an extremely low percentage of their total investments. If this is a growth country, as it seems to be and as we all believe it to be, I would think the institutional investment should have a greater opportunity to participate in that growth.

The result would also be that their investment portfolios would not lean so very greatly to debt securities. I am sure Mr. Nixon or Mr. Shaw would have a good deal more to say on that subject, or Mr. Gunn; and I would like to leave it open to anyone here to express his views.

MR. NIXON: Mr. Commissioner, the law at the present time with respect to

investment by insurance companies provides that they cannot hold more than 15 per cent of their book assets in the form of common stocks, and lays down certain restrictions by which one establishes the eligibility of the stocks for purchase by the insurance companies. The investments which can be made by pension funds are governed, under our income tax regulations, by the same standards.

There is a second restriction in the Insurance Act, which also has application to pension funds. That is, the Insurance Act provides that they can buy up to 3 per cent of their invested assets in forms not specified or standards for which are not set out in the act. It is felt that if the 3 per cent were increased to a higher figure, thus giving them the opportunity of buying securities, common shares that is, which are not up to the investment quality of those which would be eligible under the specified standards in the act, it would be beneficial to new and growing industries which have not yet established a dividend record of the length required under the act, and that both insurance companies and pension funds could, by reason of the pooling of the risk on their operations involved, legitimately put a larger proportion of their assets in that kind of security and thus assist the development of the Canadian economy.

MR. GUSHUE: Is it true that insurance companies do not come near the limit?

MR. NIXON: They are very much lower than the limit.

MR. GUSHUE: They do not use to the full the power they have?

MR. NIXON: The figures which are published, for example in the Bank of Canada statistical summary of a number of leading companies combined, show that at the end of 1954 something of the order of 1.5 per cent of their assets were in preferred and common stocks, as against 15 per cent which is eligible.

MR. GUSHUE: Is that altogether in Canadian equities or is it partially in American?

MR. NIXON: It is partially American.

MR. GUSHUE: More than Canadian, do you think?

MR. NIXON: No, it is mostly Canadian. It is the Canadian assets, I would say.

MR. GUSHUE: So that even under the existing legislation they could vastly increase their holdings?

MR. NIXON: Providing they chose securities which met the standards in the act. By lifting the 3 per cent figure they could choose issues which did not meet those standards, and

perhaps they would be prepared to place a larger sum of money in that class of security.

In the trustee fields, of course the trustee laws are provincial, and they are extremely restrictive in the forms of securities which are eligible. It is confined almost entirely to debt securities.

MR. GUSHUE: You were thinking of the basket clause, then, were you, in this recommendation?

MR. NIXON: And of the 15 per cent as well. We believe it should be raised and the standards perhaps reviewed, as to whether or not they should be relaxed, and also to increase the basket clause. The trustee acts we believe could legitimately be broadened. It is a matter of provincial determination, but we believe there that the best interests of the beneficiaries of trust funds are not necessarily served best by confining the investments to fixed income securities, and those of a very restricted character. There should be some relaxation there which would permit some specified proportion of the trustee funds to be employed in the purchase of common and preferred shares.

MR. GUSHUE: What are the exact limitations on pension funds?

MR. NIXON: They are governed by

the Insurance Act. In order to have your pension fund approved by the income tax department so that your deductions for pension purposes are eligible as an expense for tax purposes, you must agree to confine the investments to those approved by the Insurance Act.

THE CHAIRMAN: Mr. Nixon, on these matters you have just been discussing, as far as the insurance companies are concerned, as you point out they could buy a lot more equity stocks now if they wanted to, so that just changing or widening the legal limitations may not do the trick.

Is their present hesitation due to habit over the years, or does it just mean you fellows find it easier to sell them funded bonds rather than corporate stocks?

MR. NIXON: I think the dead hand of the past has a lot to do with it. The experience of the thirties is still strong in the minds of many people who administer insurance funds.

THE CHAIRMAN: More so than people in other walks of life?

MR. NIXON: I believe so.

MR. KILBURN: I think in Canada, it being a younger economy, there is a definite attitude of mind in the life insurance community that brings about their restriction well below

the statutory restriction on their equity investment. I think you would find in the older countries, in the United States and in Switzerland, for instance, where there is greater experience than we have in the appraisal and the management of risk investments, that the percentage of such investments held as security for insurance company contracts is very, very much higher. So I think the fact which you bring out by your question, that it is not just a matter of the statute, is very pertinent.

THE CHAIRMAN: Mr. Coyne may have settled all this in his speech today, but I have not read the speech.

MR. NIXON: The same thing applies to pension funds across the water.

THE CHAIRMAN: I was wondering, whether in the case of the insurance companies, the fact that there is not a wider difference between the rate of return on a bond and that on a share may have something to do with it. After all, they are in the position that they do not have to pay income tax on the bond interest, the way other investors do.

Do you think that would have had any effect on their thinking, or is it just that they have not got around to it?

MR. KILBURN: I think it has an effect.

MR. GUNN: It could be, too, that within that 15 per cent they must restrict themselves to those stocks which meet the requirement of the act as to length of dividend payments and so on. That group of stocks is even more restricted than the restricted supply we refer to in our brief, for the reason that the yields are reasonably low.

I think what Mr. Nixon may have had in mind is that if the basket clause were liberalized and it were possible to take into that group stocks which might have adequate merit but not meet these close standards at the moment -- the 3 per cent basket is usually pretty full of interest-bearing securities, I think, and there is very little room within that basket for equities now, and we would like to see the basket somewhat enlarged.

THE CHAIRMAN: On page 24, in your recommendations, in the first recommendation you are dealing with the 20 per cent tax credit, and you say:

"That this measure toward alleviation of double taxation on Canadian corporate income be fully maintained and that the whole question of double taxation be the subject of continuing study."

What is the objective for which you are striving?

MR. NIXON: Elimination of double taxation.

THE CHAIRMAN: You say you would like the 20 per cent to continue. Do you mean it would be dandy if there were not any tax at all on dividends?

MR. NIXON: I think that type of heaven is unlikely to come to this earth in our lifetime, but what we would like to see, to further broaden the market for preferred and common shares, is an increase in the credit to a figure over 20 per cent. It is realized that it is completely impractical to hope for the complete elimination of corporation taxation. Even in the United Kingdom today, the home of pure thought on double taxation --

THE CHAIRMAN: Not so pure when you get into it.

MR. NIXON: Not so pure now, because now they have a strict corporation tax.

MR. KILBURN: I assume you would be interested in knowing these things of which we are quite sure. One of those things is that since the establishment of the 10 per cent and then the 20 per cent tax relief, we know beyond question through our own experience that the acceptance and the distribution of common and preferred equity securities has gone on at

a very much more rapid pace; it is continuously being extended, and the extension is directly the result of the tax relief that we are referring to.

MR. NIXON: It is particularly marked in the case of preferred shares, which in times bygone used to come in and out of favour like women's hats. Now it is possible under most circumstances to sell preferred shares at any time, because of the tax benefit.

THE CHAIRMAN: Then you deal in your third recommendation with the withholding tax. In connection with these wholly owned subsidiaries you say it should be at a rate not less than the withholding tax on dividends paid by partially-owned subsidiaries. Do you think that change by itself would have any marked effect?

MR. HUGHES: It might have some, but aside from the marked effect we fail to see any good reason why that wholly-owned subsidiary should have a preferred position, and certainly it will always be a deterrent to any of these parent companies ever seeking partners in Canada in any enlarging of their business.

MR. NIXON: It is only one of the details; there is no doubt about that.

THE CHAIRMAN: I think we all

know how the 5 per cent was arrived at and how it works, and the reason it is 5 per cent and not some other figure and all that, but I want to get down to Mr. Nixon's point that if it were increased to 15 per cent what would be the real effect, except that the companies would have to pay a higher tax on the dividends they did not pay, I suppose to their parents. It is a withholding tax on dividends, but if you did not pay the dividends you did not pay a tax.

MR. NIXON: Many of us in our business for some years have had conversations with large American companies having Canadian subsidiaries, with a view to having them offer to Canadians some part of the equity securities, and this matter is one of the things that is generally mentioned as an impediment.

THE CHAIRMAN: It is mentioned, but do people give it any importance?

MR. NIXON: I do not think it is a fundamental reason, but its elimination would remove at least one obstacle.

THE CHAIRMAN: It would give you a chance to go back to them?

MR. NIXON: That is right. There are other more cogent reasons in their mind. Many of them believe that ~~if~~ they offered securities on the Canadian market they might drift back into American hands in a short time, and they might fail to achieve the objective

they set out to reach.

THE CHAIRMAN: In your next recommendation you say:

"That governments be alert to discern and correct circumstances where Canadian capital competes in Canada at a disadvantage with foreign capital."

You deal with that, I think, on page 16 of your brief, and you talk about the taxation policy in the United States, particularly in connection with the oil industry, with which we are familiar.

I do not want to get into a discussion of the intricacies of taxation of the oil companies, because it is beyond us and actually we have had a study made of it. It may be beyond us, but we have the information.

What I want to ask you is this, about the principle involved. In the United States it may be very much in the interests of the country as a whole to have introduced policies which would stimulate the search for oil in all the countries of the world. That seems to have been the desire of the United States government, and they seem to have carried it out in these various ways. But in this country, while it is important for us to

stimulate development in the exploration and development of our oil resources, there are also other things which we would like to get people interested in; and I wondered how you would feel about a tax policy here in connection with oil investments, for instance, which might make that industry even more attractive to capital than some other Canadian industries.

In other words I am suggesting that tax policies in this country should take into account not only tax policies in the United States as applied to a particular industry, but that we should be reasonably uniform in our tax treatment of all industries in this country, certainly all resource industries. What do we do about that?

MR. KILBURN: If I might speak briefly to that, it seems to me that while I do not feel that we are competent to discuss the tax principle itself, it is the effect on one of our main theses, which is that the spread of equity capital among our Canadian citizens is properly an important matter which concerns us all. So if the effect of the difference in tax legislation is that the American corporation can use its capital with greater reward and less cost in the development of oil resources in Canada, then it would seem that this would prejudice the accumulation within Canada of the equity, the proportionate

equity, in an industry which is growing quickly and which is very important to the national interest.

With respect to the difference which might exist between such special arrangement in Canada as compared to other industries, again noting that the tax principle is one that we would have to leave, it would just perhaps depend on the different nature of the risks that are taken in such an extremely risky business as the development of oil. There are a good many other industries, it would seem, where the incentives that are offered would exceed those available to the searcher for oil, as for instance the business of an industrial development.

THE CHAIRMAN: The mining industry would be even more risky, would it not?

MR. KILBURN: It is full of risks.

THE CHAIRMAN: It depends upon the company, perhaps. Your fifth recommendation deals with suggestions which might help financing in the municipalities. Under (g) you say:

"Provision of full financial information to investment dealers by municipalities who seek to raise funds through the sale

of debentures."

Is that not more or less within your own hands? Can you not say what you want?

MR. GUNN: I think that is correct; we can say what we want. But in fairness to our industry I think it should be pointed out that we are held responsible for what is quite a large and very varied task of providing these many municipalities with their requirements.

Municipal debentures have to compete in the market with a great many other pieces of paper, from mortgages right through to government bonds. Many of us have found that a municipal government, both permanent and elected, fails to realize this; fails to realize that in borrowings of this kind history comes into it; that management most certainly comes into it. We have heard, or we are told often, that our efforts are poor; that we do not take enough interest; that we neglect the municipal borrower. We feel that it should be put on record that sometimes the municipal borrower neglects himself. He does not put his house in order. When asked for information, it is not available. Sometimes it is his fault; very often it is the fault of supervision of the senior government.

We believe that if supervision

were adequate and if information were adequate, not only as to this year's figures but as to back years -- and this goes for municipalities in all parts of Canada -- the task of raising money would be made much easier.

THE CHAIRMAN: Would you have the supervision exercised by the provincial governments, or by a sort of S.C.C.?

MR. GUNN: No, I think by the provincial governments, who are the fathers of the municipalities.

MR. STEWART: On that point I understand that one provincial government proposes to establish a capital financing corporation to provide funds for municipalities. Have you any comment on that idea?

MR. GUNN: They are the first to take that certain line of action, but they are not the first to take action. Their method, about which we have a hazy idea -- I do not think it is finalized yet -- will probably have to stand the test of time to see what happens. My comment, and I think that of some of my colleagues, is that to take the credit of borrowers and lump them together, the good and the bad, the tall and the short, and make one answer for them all, probably will not stand the test of time and may cause a lot of trouble.

MR. NIXON: In fact one of the

questions which were in Mr. LePan's letter to us went along those lines. He asked:

"What net contribution to the problem of reducing municipal borrowing costs and allocating funds among municipalities might be expected of the following alternative schemes: (a) provincial governments undertaking to guarantee all or part of the debt of each municipality; (b) municipalities doing all their borrowing directly from the provincial government; (c) a semi-independent municipal commission being formed in each province to borrow on behalf of all municipalities as well as to encourage wise planning and practice among municipalities?"

My answer to that would be that the over-all costs of municipal borrowing might be reduced for a time by having municipal obligations carry a provincial guarantee, or by borrowing the money in the name of the province. However, this dilution of provincial government credit would, in due course, produce higher borrowing costs to the provinces concerned,

with the result that the advantage would be completely or largely eliminated with the passing of time. These forms of finance have attraction for marginal municipal bodies whose credit is not sufficiently strong to attract favourable investor interest, but whose needs are urgent and can be satisfied only by outside assistance of this kind.

It would seem likely that provincial assistance to municipalities in any of these suggested forms, such as you have now suggested might develop in one province, could involve a considerable measure of direct provincial control over the financial affairs of the participating municipalities, or even control over the volume and the kind of new social capital assets to be made available in these municipalities. This form of control and interference I believe would be repugnant to municipalities who wish to maintain a maximum measure of local autonomy, and could be productive of considerable political irritation.

The problem of municipal finance, I believe the basic problem which is implied in this question, could be solved more successfully by a transfer of responsibilities to higher levels of government; by increases in tax-sharing or grant payments by the province, or by the adoption of new forms of municipal taxation

where that is practicable. You can really say that the consolidation of municipal and provincial credit would be equally repugnant as the consolidation of provincial and federal credit.

THE CHAIRMAN: Why would it make any difference, if you need so much money, for the province to consolidate the provincial and municipal credit, than if the province took over the responsibility of raising the money on its own account?

MR. NIXON: Because there is a limitation to the demand for the obligations of each single borrower. Merely pooling them does not give the same strength to the securities. There is a definite limitation on the size of the market for the obligations of each creditor.

MR. STEWART: Is it possible that in fact there would be reduced borrowings on this basis?

MR. NIXON: I would think it might be the other way around. We believe the prime thing is the responsibility of the spender for the raising of the funds which he wants to spend. Individual responsibility, we believe, produces the best results.

MR. SHAW: Is it not a fact that political bodies for whom money is raised by other political bodies would be

pretty free in the spending of that money; whereas if the responsibility of raising their own needs rests upon them and upon their own record for good housekeeping and good management, you are likely to get a closer scrutiny and better control over all spending and creation of debt.

MR. STEWART: Yes, but if one borrower lends his credit to this procedure, it might be that some of the demands of the minor borrowers would not be met. There is no implication that any funds which any municipality wished to raise would be approved.

MR. SHAW: If I might speak to that, first of all you mentioned a proposal within one province to introduce such an independent commission. There are rather unusual conditions within that province. That province has not the necessity of coming to the market very often on its own behalf. Mr. Nixon mentioned that a borrower can only go to the market so often, no matter how good the credit. That credit and the cost of borrowing are going to be affected by a series of trips to the market. You have to give your issues an opportunity to become digested.

I for one, speaking entirely personally, am concerned about this type of thing. We see it in British Columbia, in the

guarantee of their school debt. We see it in Alberta -- and I will name the province in this particular instance -- in their proposal for a municipal financing commission. We see it in some form or another creeping out in pretty nearly every province. In each case it can be traced to the constant problems of the municipalities, I think, with the problems of some municipalities becoming so great that they have to go to the senior government for assistance.

It would seem to me that this practice of using the credit or leaning on the senior government might be something which would be necessary in certain circumstances, but it would be a very dangerous thing if it were built into our practice as the means by which municipalities financed their needs.

MR. STEWART: It seems to me it is a little more complicated than that. You suggested that an alternative to this is larger grants from the provinces to the municipalities. The more you get into this grant plan, the more anxious the municipalities are to make use of it.

MR. NIXON: An increase in shared revenues.

MR. STEWART: Yes.

MR. SHAW: I think this gets down to a reallocation of the funds as between

the province and the municipalities.

MR. STEWART: Somebody says you cannot do this because the province will intrude into the affairs of the municipality, but the alternative you suggest is that you take away the legislative powers of the municipalities, which is worse.

MR. SHAW: It might be done by some realignment of the responsibilities. In the early stages of municipal development the municipalities were left with some pretty simple responsibilities. Since that time these responsibilities have been overlaid with more and more functions, many of them laid upon the municipality at the instance of the provincial government, for some minimum standard of health, education or what have you.

It would seem to me that even though it might be difficult, it should be possible to sort out these functions, leaving to the municipalities those functions which are related to real property and the protection of real property, the source from which the municipalities get most of their revenue, and that the province in turn might relieve the municipalities; but if they did they should follow it up with complete management responsibility, and there should a minimum of cases where finances are raised by one authority and spent by another.

The province might well take over such things as hospitalization of indigents; the care of people committed to or in certain institutions such as sanatoria, training schools and that sort of thing, and perhaps the full care of children committed to children's aid societies. There are a number of areas. The administration of justice could be another function which the province could take over and follow it up with complete administration, thus lifting it right out of the municipal level.

The municipalities could be left with other functions which are their responsibility, financially and otherwise, and that would leave another area, a third area, taking in those functions where the province has laid down certain standards and requires that certain minimums be maintained. These would include education, health, and that type of thing; and in these perhaps the province could accept the major part of the responsibility, recognizing that the administration must be at the local level, and leaving the municipality some measure of financial responsibility sufficient to give some degree of responsible supervision over what they were doing.

To meet the problem would be difficult, perhaps, but in the long run the

situation would be much healthier than constantly handing out assistance by way of guarantees, the lending of credit, and in some cases the extension of grants.

MR. GUNN: I think the last speaker is quite right where a certain standard is required, whether it be the largest city in the province or the smallest hamlet. Undoubtedly the facility of each to borrow is so varied that there must be some help given.

MR. STEWART: You do not suggest that the province should take that over?

MR. GUNN: I think it should be as they have done in one or two provinces; greatly extend their assistance, at the same time leaving a certain level above the minimum in the discretion of the local government.

THE CHAIRMAN: I have one more question about municipal financing. Do you think if the withholding tax were withdrawn from municipal bond interest it would make a great deal of difference? Do you think much in the way of foreign funds would come into the municipal financing picture?

MR. GUNN: I think your word "great" might need a little qualification. Undoubtedly it would make a difference. That

difference would vary with over-all circumstances in the market. It would undoubtedly vary with the exchange rate between our two markets; but in a normal flow, yes, it would. At the present time there is a tendency for the foreign investor to favour something where perhaps he gets no deduction, or only 5 per cent.

MR. SHAW: I have had experience with quite a number of relatively small and medium-size insurance companies in the United States of America which have some contact with the Canadian market. Many of them have shown quite an interest in our Canadian municipal financing, and their thinking is affected by that withholding tax.

THE CHAIRMAN: To change the subject somewhat and go back to some of these questions we put to you earlier, what is the probable trend in corporate financing as between debt financing and equity financing?

MR. NIXON: If I might take the first crack at that, speaking of Canadian corporation enterprise as a whole, the need for new funds over the past decade has been satisfied to a greater extent out of current income in the form of retained earnings and provisions for depreciation than from external financing in the forms of new funded

debt and new issues of preferred and common shares. Experience in the more mature United States economy has been much the same and for a longer period.

In my opinion, Canadian corporate enterprise will continue to rely on internal sources for a major part of its new money requirements. This course is attractive to corporate management because of certainty of the funds, convenience of raising the funds, cost factors, and control. There is no possibility of dilution of existing ownership of the enterprise.

THE CHAIRMAN: Does that make a difference?

MR. NIXON: It is a significant factor in the minds of many people in corporate management in deciding whether or not they wish to raise money by the sale of common shares, or by retaining the earnings on behalf of the existing shareholders. Reliance on this source of funds does promote corporate outlays for venture purposes, to some extent, as the need to achieve immediate earning power on reinvested earnings is not as pressing as the need to achieve earning power to service new security issues which are brought out to the public.

On the other hand the practice, of course, does inhibit the number of

potential holders of common shares and does restrict the volume on dividend payments.

From the point of view of the economy as a whole, corporate savings have been the main form of offset to Canadian capital formation during the past decade. And these savings of individuals retained in corporate hands constitute one of the prime sources of venture capital in our economy. Under our present system of corporate taxation, debt financing is much less costly than equity financing, and therefore finds high favour in the eyes of corporate management when it becomes necessary to seek new capital beyond that available internally. This preference will continue so long as taxation of corporate income remains at high levels. The use in recent years of debt securities convertible into equity securities will relieve some of the burden of corporate debt if and when conditions permit the exercise of the conversion privilege.

It cannot be said that there is any widespread abuse of long-term debt assumption by corporate enterprise, and there are no trends discernable in the pattern of corporate financing at the present time which suggest the prospect of imprudent debt assumption by corporate enterprise generally in the years that lie ahead. In general I

would expect corporate enterprise to continue to find the new capital it requires in much the same pattern that has prevailed over the past decade; and I cannot believe that this pattern, on balance, is contrary to the best interests of Canada. It may be noted that the 20 per cent tax credit on corporate preferred and common dividends has widened the market in Canada for preferred and common shares, and further action in this respect would undoubtedly have an additional widening influence.

THE CHAIRMAN: You speak about the cost of raising money. Naturally I suppose it varies with the size of the issue. Is there any way of generalizing as to how much more it costs to sell an issue of shares as against bonds? It all depends on the company, I suppose?

MR. NIXON: The cost in the sense I employed it related to the return carried by the security. The cost of financing, the underwriting cost, is higher on common shares, generally speaking, than on bonds, too, because the underwriting risk is greater if the shares are underwritten. Of course if they are brought out by the other operation it can be quite costly, by reason of the discount from the market price which has to be given to assure the success

of the issue.

MR. SHAW: Then, too, there is the question of the amount of funds that have to be generated internally to carry financing. Generally speaking you have to generate about twice as much internally to carry equity financing as you do for deficit financing.

THE CHAIRMAN: I did not mean to get into the commissions charged by the investment dealers. The truth of the matter is that you answered that question earlier, when you said the companies would buy bonds to a greater extent than common stocks.

Suppose we stick to those questions we wrote you about. First of all, are there any classes of deserving borrowers whose needs may not be served adequately?

MR. NIXON: I assume the qualifying word "deserving" means credit-worthy?

THE CHAIRMAN: I presume so.

MR. NIXON: Then the question might be restated as follows:

"Are there any classes of credit-worthy borrowers whose needs are not adequately served either because of the absence of proper facilities in our capital market to look after their needs, or because

of the absence of lendable funds available to these particular classes of borrowers?"

Based on my own experience and observation, I do not feel there are any significant deficiencies of this nature in the Canadian capital market at the present time. At all times there are borrowers who believe they are credit-worthy and are being unjustly denied credit accommodation, but that condition results from differences of opinion on standards of credit-worthiness. In the eyes of those who are charged with the responsibility of appraising credit risks, these borrowers fail to meet the minimum standards required to qualify as credit-worthy. Marginal cases no doubt exist, but I do not believe that they are sizeable in total.

Admittedly there are business operators in a variety of fields who are simply too small, too new or too risky to attract the favourable interest of investors in the public capital market. Many small borrowers whose securities might be acceptable to investors find it impossible to consider public financing due to the costs which are necessarily involved in preparing a security issue for market and distributing it to the public.

In my opinion, credit-worthy borrowers in the too small, too new, too risky categories, the marginal group who might be expected to fall within this definition, who do not find it possible or desirable to borrow money by a public issue of securities, are receiving sympathetic and effective support through our chartered banks, by private placement of security issues or other forms of financial accommodation with institutional investors, and by loans from the Industrial Development Bank; and the recent notice that there would be a widening in the lending powers of this latter institution indicates that it intends some enlargement of the scope of its operations.

THE CHAIRMAN: Thank you. The next question dealt with the adequacy of Canadian sources of venture capital for both small and large projects in the future. Would you care to comment on that?

MR. NIXON: This is the \$64,000 question. Venture capital, so called, is simply a special kind of savings. It is money in the hands of corporations and individuals, or collective savings bodies representing individuals, which is prepared to assume above average risks. We have capital of this kind in Canada today, and have had it for a long time, but there is no doubt in my opinion we do

not have enough of it. Large scale venture operations in the post-war years, such as those in the petroleum and mining industries, have relied to an important extent on foreign venture capital, mainly from the United States; and until we develop a larger volume of savings under the control of Canadian corporations and individuals who can afford and who are willing to take the above average risks, Canadian sources of capital, particularly for large scale ventures, in my opinion will continue to be inadequate for our special needs.

Development of more venture capital is essentially related to future levels of production and income, but the process can be aided by tax policies designed to promote savings accumulations in the hands of those who can afford to assume above average risks, and also to provide incentives to corporations and individuals to invest savings in venture projects. Individuals with modest incomes cannot be expected to accumulate any significant amount of savings of the venture capital type, due to their primary need to apply any surplus income above living expenses to forms of investment of a more conservative nature. The accumulation of a savings reserve in liquid forms, purchases of life insurance and deferred pension benefits, and real investment such as home ownership, have first claims on

savings accumulations. By definition, this means we must look to individuals with middle and larger incomes as the source of venture capital in individual hands.

Individual savings in the hands of certain collective savings bodies such as life insurance companies, pension funds and investment trusts, are potential sources of additional venture capital as these poolings of financial risk make possible the assumption of investment hazards which should not properly be undertaken by single individuals in the modest income category.

With the progressive expansion in volume of personal income, the past decade has witnessed a significant up-grading in the level of individual incomes. According to income tax statistics, individuals with incomes over \$5,000 numbered about 100,000 just after the war, and over 350,000 in 1953, the latest year for which data are available. The number today would be higher, undoubtedly. Over the same period, the number of individuals with an annual income of over \$10,000 has increased from the 20,000 to 25,000 level to 65,000. The relative significance of these totals may be judged by the fact that there are some $5\frac{1}{2}$ million people at work in Canada today. Grouping of incomes on a family basis would show a higher proportion of total units in the middle and

upper brackets, but there are no reliable figures published in this regard. So long as income taxes are levied at high rates on the middle and upper income groups, accumulation of venture capital in the hands of individuals will be retarded, although it is undoubtedly true that all gain in net income through tax reduction would not fall into the venture capital pot.

To further illustrate the relatively narrow base for venture capital in the hands of individuals, it may be useful to refer to shareholdings by individuals. First may I state that there are no reliable estimates of share ownership in Canada. The most comprehensive study in the United States on the subject that I know of was made by the Brookings Institution in 1952. Based on their survey, they concluded that in March, 1952, there were just over $6\frac{1}{4}$ million individuals in the United States who owned shares in publicly owned preferred and common stocks; that is, in issues traded on the organized exchanges; and that these individuals were members of $4\frac{3}{4}$ million family units.

Putting it another way, approximately one out of every 16 adult persons in the United States owned shares in one or more stock issues, and there were one or more share owners in nearly one-tenth of all families. These figures did not include owners

of privately held issues. There were an estimated 3 million owners of privately held stocks. But this would not be a net addition to the number of stock owners, for many also own publicly held issues.

The study also showed that only about 20 per cent of all share owners held 5 or more stock issues, what might be called a minimum diversified list. Applying these proportions to the present Canadian population would indicate, first, stock ownership by some 600 thousand individuals in Canada; second, that these individuals would be members of some 400 thousand family units; and third, that of the individuals owing shares, there would be only 120 thousand Canadians who would own 5 or more stocks. As income levels in the United States have been higher than Canadian incomes for a long time, it is likely that the Canadian ownership of shares is considerably below the figures quoted, which reflect American conditions. Based on these figures, it is evident that when one speaks of venture capital in the hands of individuals, one is talking about a comparatively small proportion of the total population.

Corporate savings out of income provide an important supply of venture capital. In fact this is the largest source of domestic venture capital. The need to have access

to capital for venture projects and for other purposes is one of the main influences on the amount of corporate earnings not paid in the form of dividends.

Raising capital internally rather than by the sale of new equity securities is attractive to corporate management because it is more certain, more convenient, less costly and does not disturb the existing pattern of control of the enterprise. For many years, corporations in Canada have retained half or somewhat more than half of profits, and there is nothing in present trends to suggest any decline in reliance on this form of corporate savings. Tax incentives would encourage the use of a greater proportion of corporate savings for venture purposes.

By way of summary, venture capital is a particular kind of savings. To be more self-sufficient, to achieve a higher degree of control of Canadian enterprise, to share more aggressively in the development of our basic resources, to assist Canadians toward a progressively higher standard of living, I believe Canada needs more domestic venture capital. And, having regard to the current and prospective pace of economic development, the sooner the better. While the available supply of venture capital in

future years will depend to a large degree on the over-all volume of savings, it will depend also on the ability and the willingness of corporate and individual savers to assume above average risks. Future tax policies affecting incentives to assume risk, affecting rewards for successful ventures, and affecting the general incidence of the tax burden, will have a direct influence on the volume as well as on the uses of venture capital in the years to come.

THE CHAIRMAN: Thank you very much; that is a very complete answer. It proves you should ask your questions in advance. What do you think of Mr. Coll's scheme?

MR. NIXON: I believe it is an interesting proposal. It is a type of suggestion which has been considered on a number of occasions, I believe, by people in the financial business in Canada, and I think it merits study.

THE CHAIRMAN: I would like to ask one more question. This is another of the questions we wrote you about. Is the existing machinery for mobilizing capital, including savings of individuals in Canada, adequate?

MR. NIXON: I take this one, too, as a start. I would say the answer is yes. The machinery which has developed

in Canada over the years has proven to be flexible and adequate. It has been able to adapt itself to changing conditions of war and peace, and to the changing pattern and size of the Canadian economy. There is no reason to believe that it will display any less capacity in the future.

Our capital markets in Canada have undergone progressive development with the passing of the years. We still lack some of the features found in more mature markets such as New York and London, but as we continue to grow toward a greater economic maturity there is every reason to believe that our present institutional framework will adapt itself to the changes needed to accommodate a larger and more complex financial system.

THE CHAIRMAN: Mr. Lussier asked me if I was surprised at your answer, and I said I was not. Well, thank you very much, gentlemen, for an excellent submission and very helpful answers to our questions.

At 5:15 p.m. the commission adjourned.

